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WHICH?

PROTECTION, FREE TRADE,

OR

REVENUE REFORM.

A COLLECTION OF THE BEST ARTICLES ON BOTH SIDES OF THIS GREAT NATIONAL ISSUE, FROM THE MOST EMINENT

POLITICAL ECONOMISTS AND STATESMEN.

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PREFACE.

The object of this work is to bring before the public a volume that contains the best things written both for and against Protection. In selecting the articles I have consulted the authors when possible, and am indebted to them for much assistance and many kind suggestions.

One important object was to make an inexpensive work. We felt that the masses were detained or discouraged from gaining important information on a great and vital National issue, because of the expense or trouble involved. We have therefore collected in this volume what would previously require the purchase of a library to obtain.

H. W. FURBER.

E. Northwood, N. H.

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CHAPTER I.

INTERNATIONAL TRADE.

By Aaron L. Chapin, D.D.

PRESIDENT CHAPIN of Beloit College, has well stated in his "First Principles of Political Economy," the arguments for and against Protection. I will give them in full.

The Theory of Protection distinctly stated is, that, in order to promote home industry, the importation of certain articles, from countries where they can be produced cheaper than at home, should be prohibited or restricted by heavy duties.

In direct opposition to this,—

The Theory of Free Trade affirms that a nation's wealth and prosperity are best promoted by maintaining the utmost freedom for the exchange of all commodities among its own people, and with the people of other countries.

The mere statement of the principles suggests two conflicting economic systems. In practical legislation two corresponding policies have been in conflict through all the history of our nation. There seems no place for compromise: truth and wisdom must lie on one side or the other.

In the discussion of each department of our science, freedom appears as the natural law of industry and trade. But on the face of it the theory of protection involves an interference with freedom; an interference which affects all of the four departments,—production, consumption, distri-

bution, and exchange, though applied most directly to the last named. Is it not plain, then, that the presumption is against the theory that the burden of proof is laid over upon its advocates? What are the arguments urged to sustain it? We can notice only the three most important and plausible. It is said,—

1. Protection is necessary to secure that variety of industry and that balance of different industries which are essential to a people's prosperity. This is the broad proposition which underlies and includes all arguments for the system. In form the argument is logical. It gives for a major premise the affirmation that a varied and balanced industry is essential to a people's prosperity. The minor premise is that protection is a necessary means to varied and balanced industry. If the premises are admitted, the conclusion is sound: a protective policy must favor a people's prosperity.

The truth of the major premise cannot be questioned. On the other hand, it is worthy to be presented in full force, resolved into several particulars, as a kind of summary of economic principles.

a. Every country has a great variety of resources, and the development of all its resources conduces to its greatest wealth.

b. Among the population of every country there is a corresponding diversity of native talent, and labor is most effective when every one has scope for doing that for which he is best fitted.

c. The actual wants of men are equally diverse, and the highest happiness of a people depends on the degree in which these varied wants are provided for.

d. A diversity of occupations makes a home-market for all sorts of products, saving cost of transportation, favoring division of labor, and binding all classes together by ties of mutual helpfulness and common interests.

e. Varied industry favors the social and moral advance-

ment of a people, quickening and broadening minds, enlarging hearts, and impelling to noblest action in the lines of rectitude and benevolence.

These statements will be readily accepted by all candid minds. As bearing on the question under consideration, they need but a single qualification. It does not follow that a people must hasten by all means to develop every source of wealth existing among them, or maintain at all hazards every possible form of industry. The people of Barbadoes have ample facilities for raising table vegetables, but they have greater advantages for raising sugar. Hence it may be good policy for them to produce mainly sugar, and get the other provisions from other countries, where the cost of raising them is greater, perhaps, than it would be on their own soil. Many such cases do exist, but they are exceptions which prove the rule.

The real issue is joined on the second or minor premise,— protection is necessary to secure diversified industry. This proposition is met by a flat denial, and the positive affirmation that there is a better and surer way of reaching that result. Where no interference or obstruction is allowed, there comes a spontaneous development which is safe and constant, because it is in accordance with nature's law. This thought may be unfolded in a few distinct, yet connected, propositions.

a. There is a natural growth of human industry, the laws of which are as fixed and certain as those which pertain to the growth of a tree.

b. Free competition is the healthy stimulus to that growth.

c. Under the natural law of development, industry will be applied to the several native resources of a country as fast as the increase of labor and capital will warrant.

d. Men's instinct for accumulation, following diverse individual capacities, tastes, and predilections, is the safest

guide to determine the order in which labor and capital shall be applied to those various resources. Under it, whatever promises a profit will be undertaken as soon as it can be without sacrificing a greater profit elsewhere.

e. The attempt to force labor and capital into certain employments before their time deranges the order of nature, and produces reactions which hinder the desired result.

f. At any stage of this development, if exchange is free, foreign products are purchased with the fruits of a people's most effective labor, that is, with those articles which they can then produce to the best advantage; which they can best afford to part with, because they are obtained at the least cost. By all such advantageous trade, capital, the prime element of varied industry, is increased, and labor is sustained.

g. When, by this natural progress, a people come to take up a new industry for which they have natural advantages and God-given capacity, no foreign competition can crush it; for, even in its infancy, it is charged with the nation's life and strength.

h. An industry which is not indigenous, which has no natural advantages, or which is prematurely set up and fostered by artificial means, can have only a sickly, uncertain life, and is supported at a wasteful expenditure of a nation's resources.

The strong reason urged on the other side to prove that protection is necessary is thus presented:—

"Foreign competition crushes out the home production of all but the rudest and coarsest articles of manufacture, and prevents the establishment of a varied industry, unless the government interfere, as the personification of the nation and its co-ordinating power, to restore the equilibrium by discouraging imports."

If the question is raised, how foreign competition is able to do this, the answer must be that the foreign country has

either superior natural resources, or more abundant capital, or laborers in greater numbers, and better skilled for the work to be done, or possibly all these advantages combined. If this be so, it may be asked again, how can government interference, discouraging imports, counterbalance these advantages? It is quite evident that protection cannot add to the natural resources of a country. It can never give to France the coal-fields of England, nor bring to the prairies of Illinois the water-powers of New England, nor secure to Germany the cotton-raising facilities of our Southern States. Obviously a protective tariff cannot create capital. Capital springs and grows only by industry and frugality. It is the fruit of saving. And certainly legislation has no power to create men, or endow them with skill. Population increases both by births and immigration, according to the abundance of the necessaries of life which are furnished; and a people grow in skill as they grow in intelligence, and bring their faculties into active exercise.

All that protection can do is to concentrate capital and labor on one employment, and for this it lays a special burden on all others for the benefit of the favored occupation. The advocates of this policy keep out of sight the fact that it can do nothing more than to change the direction of capital and labor, and that the duty is a tax laid upon the many for the benefit of a few. When articles of foreign production are imported, they are to be paid for by the products of home-labor, and capital; and the question of economy is Which is the cheapest? Which will bring the largest returns for a certain amount of labor, — to make these articles ourselves, or to make something else with which to buy them? Left free from government interference, home labor and capital will lay hold of whatever natural resources a country possesses, and, with reference to both home wants and foreign wants, produce the things most feasible and desirable at the cheapest rates. The surplus of these products will pay

for the foreign goods. Capital will be increased by both the productive industry and the trade; and, as a people grow strong in capital and in men, it is not possible for foreign competition to restrict their industry, or to prevent their taking up all the variety of industry which their needs require, and the facilities of their country favor. Competition, free and fair, is ever the strongest and healthiest stimulus of both productive industry and wide-spread active trade.

2. It is strongly urged that protection is a necessary means of maintaining national independence. This is a specious argument, because the phrase "national independence" has a patriotic ring, to which the popular ear and the popular heart are peculiarly sensitive. But, as it stands in the proposition before us, it simply covers a subtle sophistry.

For individuals and for nations there are two kinds of independence. One may withdraw from his fellow-men to a cave in the wilderness, and thus keep himself alive, and possibly find interest and enjoyment in a hermit-life. He may glory in his independence. But is there anything noble in such isolation? Is it the way for a man to make the most of himself? The independence of genuine manhood is of another sort. It is the individuality of capacities, acquisitions, and character, which is able to stand on its own basis in full and free relations with fellow-men. It is, in the midst of society, a distinct personality, giving and receiving, supporting and supported, blessing and blessed, through the varied intercourse which nature prompts, and by which the completest development of the man and of the race is advanced. So of nations, there is an independence of isolation, such as China and Japan until recently maintained. But that independence which is the strength and glory of a nation is of another kind. It is an individuality of national resources and character which stands up in the full brotherhood of nations, and in the consciousness of its own strength enters into all offices of mutual dependence through which nations grow, and civilization makes progress.

The policy of protection fosters the narrower kind of independence. It is a restrictive policy. Carried out to its logical conclusion, it leads to isolation. The sophistry referred to consists in the concealment of this fact, while the term "national independence" is put forth in its broader, nobler sense.

In an economic point of view, the real independence of a nation is commercial independence. That means, not that it does not need or will not have the productions of other nations, but that it is able to command them. The basis of such independence is the home-production of wealth. The way to increase wealth is to use to the best possible advantage the gifts of nature, and then, in the world's great mart, sell where things can be sold on the best terms, and buy where things can be bought on the best terms. The nation is strongest and most complete in her independence, which can open most freely every avenue for the wealth of the world to flow in upon her, because, as the fruit of her own vital energies, freely exerted, she has wealth in abundance to give a fair equivalent.

A nation comes to this full maturity by a steady natural growth, just a sa child comes to full manhood. In both cases freedom is the law of growth. Fair competition helps a nation's growth both in general wealth and in particular industries, just as the wrestling of a boy with one older and stronger than himself helps to develop in him particular muscles, and the pluck and vigor of a whole manhood. When at times worsted and thrown, the boy may rise and say, "You beat me now, but I don't give up the contest. Let me get my growth, and I'll show you what I can do." The effort by protection to hasten a nation's independence is like binding an infant's limbs in splints, that he may sooner stand alone. The artificial appliance may develop prematurely a single function, but it is at a wasteful expense of general vigor, and is quite sure to induce chronic weakness and deformity.

3. The advantages of a home market for agricultural products are often urged in favor of the protective system. It is certainly an advantage to a farmer to find, in a manufacturing village near, a market for his produce. But, if this market is made and sustained for him by a protective tariff, he must pay for tools, for salt, for dry-goods, for many of the manufactured articles he needs, from twenty to fifty per cent. more than they would cost under the rule of free trade. This adds to the cost of producing his crops, and offsets what he may save in the expense of transportation to the distant commercial city.

But here, as in the first case, we take issue directly on the main point. The assumption that protection creates the home-market is a fallacy. These centers of varied industry grow up naturally and healthily with the increase of population and wealth. Mechanical genius, the investigating turn of mind, the energy of will-power, managing capacity,—these qualities come not of protective tariffs. They are the gifts of God to men. Left to themselves, and stimulated by competition, they spontaneously lay hold on all gifts of God in nature, and, using all available capital, set up the workshops of industry, wherever best opportunities are presented.

Furthermore, the term "home market," in this discussion, has force only as it implies the production at home of all manufactures wanted, and the consumption at home of all agricultural produce raised,—a condition of things, attainable, if at all, only after the lapse of centuries. Meantime a people must buy the things they cannot produce, by selling the surplus of that which they can produce. For a long time to come this country will have a large surplus of breadstuffs, cotton, petroleum, silver, and gold, to dispose of. We can sell to others only as we give others a fair chance to sell to us. Domestic commerce and foreign commerce are necessarily interlocked. The prices of agricultural products in our home markets are determined by the prices in markets

abroad. Where trade is freest, the prices will, on the average, be the best. Hence, free trade is the essential condition of a sound and healthy home market. Of all classes, those devoted to agriculture bear the heaviest share of the burden laid by the protective tariff, while they reap no direct benefit from it.

There are positive objections to the system of protection, which may be concisely stated as follows :—

1. Protection introduces and fosters antagonism between the different industries of a country. The idea of giving protection to every branch of industry is absurd. The theory implies special encouragement to certain manufactures by taxing all other interests in their behalf. The duty which protects the woolen-manufacture increases the cost of the wool-grower's clothing, while the competition of cheap wools from abroad keeps down the price of his product. A tariff on the foreign wools will enhance the cost of material to the manufacturer. So two parties whose interests are really one are set against each other.

2. The unnatural stimulus given by protective legislation leads to over-production, and consequent stagnation and failure. The first effect of a high duty is to raise prices, and increase the profits of the protected industry. This causes a rush into that branch of production, till it is quickly overdone, and a disastrous re-action comes.

3. Protection diminishes the legitimate revenues of the state, at the same time that it lays a heavy tax on the people. Just so far as the tariff is protective in its operation, it reduces the imposts from which the government gets its income; yet, just so far as prices of the protected article in the market are enhanced by the tariff, all consumers pay a a special tax for the benefit of the favored producer.

4. In its application, the policy of protection must be unstable, disturbing the course of industry by frequent changes. This follows inevitably from the conflict of inter-

ests just referred to. When the duty on iron is high, all who use iron as the material of their industry clamor against it. So new candidates for the special favor press their suit for a change of the tariff in their interest. With every session of Congress movements are made for some change of the tariff. A protective tariff can never be made fair and equal to all; for its fundamental principle is an unjust favoritism, against which those not favored instinctively protest and contend.

5. Protection tends to demoralize our national legislation. The lobby of the Capitol is thronged with representatives of certain manufactures, seeking to obtain or to perpetuate special protection. Money is freely used, and bargains are made to combine the friends of separate measures, when votes are given. Proposed acts come thus to be judged of not by their real merits, but by their relation to personal interests.

6. Protection tends to corrupt the public morals and the public service. It offers strong temptations to the violation of law by smuggling. The resistance of men's consciences to this temptation is slight, because the tariff-law rests on no ground of absolute right. The nice sense of honor and right is deadened; and the making of false invoices, the swearing of false oaths, and direct bribery at the custom-house, are regarded as venal sins. Officials of the government come into collusion and partnership with these crimes, and betray the sacred public trusts with which they are charged.

Until within the last half century, the protective policy has ruled the industry and trade of the world, with only here and there an exception, like Holland in her best days. Free trade has had scarcely a chance to try its experiment. Its principles are, however, illustrated and sustained in the hundred years' history of our nation's independent life. The States of our republic, in their extent of territory, their

diversity of resources, the varied races and endowments of their people, and their distinctive interests, constitute a world by themselves. Fortunately our Constitution forever forbids the protective policy to restrict their trade with each other. Here is a broad arena for the experiment of free trade. For nearly forty years the writer has watched the course of that experiment in the unfolding growth of a young Western State. Her chief industry was at the first, and must long continue to be, agriculture. But as population poured into the prairies and groves, and agriculture yielded a surplus of home capital, and a basis of credit was laid for the introduction of Eastern capital, every kind of industry suited to her climate and conditions has been successfully established. Her mines have been worked, her water-powers have been utilized, villages and cities have sprung up suddenly, and the diverse genius and taste of her sons have found ample scope and stimulus for profitable exercise. According to the theory of protection, the competition of New England manufactures, brought in freely by the best facilities for cheap and rapid transportation, should have "crushed out the home production of all but the rudest and coarsest articles of manufacture." But the facts are all against the theory. Woolen factories, cotton factories, shoe factories, iron works, machine shops, paper mills, establishments for making agricultural implements, all have been set up and carried on with a success that promises to be abiding and expanding. This result of a brief but fair experiment of the principle of free trade confirms every phase of that doctrine, and shows that what is philosophically sound and true is also practically safe and wise.

The Golden Rule of Christ is full of wisdom and righteousness in its application to the intercourse of nations. We cherish the fond hope that the day is not distant when the nations will conform their policies to the rule, and "do each to others as they would have others do to them." Then the

theory of protection, with its false ideas of antagonism and selfish isolation, will have no place; but, instead, the brotherhood of nations as well as of individual men will be recognized, and the broad philantrophy which Christianity inculcates and aims to make universal, will have free scope to work out the world's emancipation from all wrong and evil. In such a state, the first principles of sound political economy will find their consummate application.

CHAPTER II.

MODERN POLITICAL ECONOMY.

ADAM SMITH, LL.D., F.R.S., has been properly called the father of Modern Political Economy. His arguments have often been repeated, but we will give a few of them:

OF RESTRAINTS UPON THE IMPORTATION FROM FOREIGN COUNTRIES OF SUCH GOODS AS CAN BE PRODUCED AT HOME.

By restraining, either by high duties, or by absolute prohibitions, the importation of such goods from foreign countries as can be produced at home, the monopoly of the home market is more or less secured to the domestic industry employed in producing them. Thus the prohibition of importing either live cattle or salt provisions from foreign countries secures to the graziers of Great Britain the monopoly of the home market for butcher's meat. The high duties upon the importation of corn, which in times of moderate plenty amount to a prohibition, give a like advantage to the growers of that commodity. The prohibition of the importation of foreign woolens is equally favorable to the woolen manufacturers. The silk manufacture, though altogether employed upon foreign materials, has lately obtained the same advantage. The linen manufacture has not yet obtained it, but is making great strides towards it. Many other sorts of manufacturers have, in the same manner, obtained in Great Britain, either altogether, or very nearly a monopoly against their countrymen. The variety of

goods of which the importation into Great Britain is prohibited either absolutely, or under certain circumstances, greatly exceeds what can easily be suspected by those who are not well acquainted with the laws of the customs. (*Restrictions on importations are now few.*)

That this monopoly of the home market frequently gives great encouragement to that particular species of industry which enjoys it, and frequently turns towards that employment a greater share of both the labor and stock of the society than would otherwise have gone to it, cannot be doubted. But whether it tends either to increase the general industry of the society, or to give it the most advantageous direction, is not, perhaps, altogether so evident.

The general industry of the society can never exceed what the capital of the society can employ. As the number of workmen that can be kept in employment by any particular person must bear a certain proportion to his capital, so the number of those that can be continually employed by all the members of a great society, must bear a certain proportion to the whole capital of that society, and can never exceed that proportion. No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone of its own accord.

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage, naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society.

I. Every individual endeavors to employ his capital as

near home as he can, and consequently as much as he can in the support of domestic industry, provided always that he can thereby obtain the ordinary, or not a great deal less than the ordinary, profits of stock.

Thus, upon equal or nearly equal profits, every wholesale merchant naturally prefers the home trade to the foreign trade of consumption, and the foreign trade of consumption to the carrying trade. In the home trade his capital is never so long out of his sight as it frequently is in the foreign trade of consumption. He can know better the character and situation of the person whom he trusts, and if he should happen to be deceived, he knows better the laws of the country from which he must seek redress. In the carrying trade, the capital of the merchant is, as it were, divided between two foreign countries, and no part of it is ever necessarily brought home, or placed under his own immediate view and command. The capital which an Amsterdam merchant employs in carrying corn from Konigsberg to Lisbon, and fruit and wine from Lisbon to Konigsberg, must generally be the one-half of it at Konigsberg and the other half at Lisbon. No part of it need ever come to Amsterdam. The natural residence of such a merchant should either be at Konigsberg or Lisbon, and it can only be some very particular circumstances which can make him prefer the residence of Amsterdam. The uneasiness, however, which he feels at being separated so far from his capital, generally determines him to bring part both of the Konigsberg goods which he destines for the market of Lisbon, and the Lisbon goods which he destines for that of Konigsberg, to Amsterdam; and though this necessarily subjects him to a double charge of loading and unloading, as well as to the payment of some duties and customs, yet for the sake of having some part of his capital always under his own view and command, he willingly submits to this extraordinary charge; and it is in this manner that every country which has any considerable share of the

carrying trade, becomes always the emporium, or general market, for the goods of all the different countries whose trade it carries on. The merchant, in order to save a second loading and unloading, endeavors always to sell in the home market as much of the goods of all those different countries as he can, and thus, so far as he can, to convert his carrying trade into a foreign trade of consumption. A merchant, in the same manner, who is engaged in the foreign trade of consumption, when he collects goods for foreign markets, will always be glad, upon equal or nearly equal profits, to sell as great part of them at home as he can. He saves himself the risk and trouble of exportation, when, so far as he can, he thus converts his foreign trade of consumption into a home trade. Home is in this manner the center, if I may say so, round which the capitals of the inhabitants of every country are continually circulating, and towards which they are always tending, though by particular causes they may sometimes be driven off and repelled from it towards more distant employment. But a capital employed in the home trade, it has already been shown, necessarily puts into motion a greater quantity of domestic industry, and gives revenue and employment to a greater number of the inhabitants of the country, than an equal capital employed in the foreign trade of consumption; and one employed in the foreign trade of consumption has the same advantage over an equal capital employed in the carrying trade. Upon equal or only nearly equal profits, therefore, every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestic industry, and to give revenue and employment to the greatest number of people of his own country.

II. Every individual who employs his capital in the support of domestic industry, necessarily endeavors so to direct that industry, that its produce may be of the greatest possible value.

The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavor to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.

But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavors as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value, every individual necessarily labors to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the

greatest value, every individual, it is evident, can, in this local situation, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

To give the monopoly of the home market to the produce of domestic industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must, in almost all cases, be either a useless or a hurtful regulation. If the produce of domestic can be brought there as cheap as that of foreign industry, the regulation is evidently useless. If it cannot, it must generally be hurtful. It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it for their interest to employ their whole industry in a way in which they have some advantage over their neighbors, and to purchase with a part of its produce, or what is the same thing, with the price of a part of it, whatever else they have occasion for.

What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in

which we have some advantage. The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished, no more than that of the above-mentioned artificers ; but only left to find out the way in which it can be employed with the greatest advantage. It is certainly not employed to the greatest advantage when it is thus directed towards an object which it can buy cheaper than it can make. The value of its annual produce is certainly more or less diminished, when it is thus turned away from producing commodities evidently of more value than the commodity which it is directed to produce. According to the supposition, that commodity could be purchased from foreign countries cheaper than it can be made at home. It could, therefore, have been purchased with a part only of the commodities, or, what is the same thing, with a part only of the price of the commodities, which the industries employed by an equal capital would have produced at home, had it been left to follow its natural course. The industry of the country, therefore, is thus turned away from a more, to a less advantageous employment, and the exchangeable value of its annual produce, instead of being increased, according to the intention of the lawgiver, must necessarily be diminished by every such regulation.

By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and after a certain time may be made at home as cheap or cheaper than in the foreign country. But though the industry of the society may be thus carried with advantage into a particular channel sooner than it could have been otherwise, it will by no means follow that the sum total, either of its industry, or of its revenue, can ever be augmented by any such regulation. The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in

proportion to what can be gradually saved out of its revenue. But the immediate effect of every such regulation is to diminish its revenue, and what diminishes its revenue is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both their capital and their industry been left to find out their natural employments.

Though for want of such regulations the society should never acquire the proposed manufacture, it would not, upon that account, necessarily be the poorer in any one period of its duration. In every period of its duration its whole capital and industry might still have been employed, though upon different objects, in the manner that was most advantageous at the time. In every period its revenue might have been the greatest which its capital could afford, and both capital and revenue might have been augmented with the greatest possible rapidity.

The natural advantages which one country has over another in producing particular commodities are sometimes so great, that it is acknowledged by all the world to be in vain to struggle with them. By means of glasses, hotbeds, and hot-walls, very good grapes can be raised in Scotland, and very good wine, too, can be made of them at about thirty times the expense for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines merely to encourage the making of claret and burgundy in Scotland? But if there would be a manifest absurdity in turning towards any employment, thirty times more of the capital and industry of the country than would be necessary to purchase from foreign countries an equal quantity of the commodities wanted, there must be an absurdity, though not altogether so glaring, yet exactly of the same kind, in turning toward any such employment a thirtieth, or even a three hundredth part more of either.

Whether the advantages which one country has over another be natural or acquired, is in this respect of no consequence. As long as the one country has those advantages, and the other wants them, it will always be more advantageous for the latter rather to buy of the former than to make. It is an acquired advantage only which one artificer has over his neighbor who exercises another trade; and yet they both find it more advantageous to buy of one another, than to make what does not belong to their particular trades.

Merchants and manufacturers are the people who derive the greatest advantage from this monopoly of the home market. The prohibition of the importation of foreign cattle, and of salt provisions, together with the high duties upon foreign corn, which in times of moderate plenty amount to a prohibition, are not near so advantageous to the graziers and farmers of Great Britain, as other regulations of the same kind are to its merchants and manufacturers. Manufactures, those of the finer kind especially, are more easily transported from one country to another than corn or cattle. It is in the fetching and carrying manufactures, accordingly, that foreign trade is chiefly employed. In manufactures, a very small advantage will enable foreigners to undersell our own workmen, even in the home market. It will require a very great one to enable them to do so in the rude produce of the soil. If the free importation of foreign manufactures were permitted, several of the home manufactures would probably suffer, and some of them, perhaps, go to ruin altogether, and a considerable part of the stock and industry at present employed in them would be forced to find out some other employment. But the freest importation of the rude produce of the soil could have no such effect upon the agriculture of the country.

Country gentlemen and farmers are, to their great honor, of all people, the least subject to the wretched spirit of monopoly. The undertaker of a great manufactory is some-

times alarmed if another work of the same kind is established within twenty miles of him. The Dutch undertaker of the woolen manufacture at Abbeville stipulated that no work of the same kind should be established within thirty leagues of that city. Farmers and country gentlemen, on the contrary, are generally disposed rather to promote than to obstruct the cultivation and improvement of their neighbors' farms and estates. They have no secrets, such as those of the greater part of manufacturers, but are generally rather fond of communicating to their neighbors, and of extending as far as possible, any new practice which they have found to be advantageous. *Pius Questus*, says old Cato, *stabilis-simusque, minimeque invidiosus; minimeque male cogitantes, sunt, qui in eo studio occupati sunt.* Country gentlemen and farmers, dispersed in different parts of the country, cannot so easily combine as merchants and manufacturers, who being collected into towns, and accustomed to that exclusive corporation spirit which prevails in them, naturally endeavor to obtain against all their countrymen the same exclusive privilege which they generally possess against the inhabitants of their respective towns. They accordingly seem to have been the original inventors of those restraints upon the importation of foreign goods, which secure to them the monopoly of the home market. It was probably in imitation of them, and to put themselves upon a level with those who, they found, were disposed to oppress them, that the country gentlemen and farmers of Great Britain so far forgot the generosity which is natural to their station, as to demand the exclusive privilege of supplying their countrymen with corn and butcher's-meat. They did not perhaps take time to consider, how much less their interest could be affected by the freedom of trade, than that of the people whose example they followed.

To prohibit by a perpetual law the importation of foreign corn and cattle, is in reality to enact, that the population and

industry of the country shall at no time exceed what the rude produce of its own soil can maintain.

There seems, however, to be two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry.

The first is, when some particular sort of industry is necessary for the defense of the country. The defense of Great Britain, for example, depends very much upon the number of its sailors and shipping. The act of navigation, therefore, very properly endeavors to give the sailors and shipping of Great Britain the monopoly of the trade of their own country, in some cases, by absolute prohibitions, and in others by heavy burdens upon the shipping of foreign countries.

SMITH ON THE ADVANTAGE OF PROTECTION.

The second case in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry, is when some tax is imposed at home upon the produce of the latter. In this case, it seems reasonable that an equal tax should be imposed upon the like produce of the former. This would not give the monopoly of the home market to domestic industry, nor turn towards a particular employment a greater share of the stock and labor of the country than what would naturally go to it. It would only hinder any part of what would naturally go to it from being turned away by the tax, into a less natural direction, and would leave the competition between foreign and domestic industry, after the tax, as nearly as possible upon the same footing as before it. In Great Britain, when any such tax is laid upon the produce of domestic industry, it is usual at the same time, in order to stop the clamorous complaints of our merchants and manufacturers, that they will be undersold at home, to lay a much heavier duty upon the importation of all foreign goods of the same kind.

Such taxes when they have grown up to a certain height, are a curse equal to the barrenness of the earth and the inclemency of the heavens; and yet it is in the richest and most industrious countries that they have been most generally imposed. No other countries could support so great a disorder. As the strongest bodies only can live and enjoy health, under an unwholesome regimen, so the nations only, that in every sort of industry have the greatest natural and acquired advantages, can subsist and prosper under such taxes. Holland is the country in Europe in which they abound most, and which from peculiar circumstances continues to prosper, not by means of them, as has been most absurdly supposed, but in spite of them.

As there are two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry, so there are two others in which it may sometimes be a matter of deliberation; in the one, how far it is proper to continue the free importation of certain foreign goods; and in the other, how far, or in what manner, it may be proper to restore that free importation after it has been for some time interrupted.

The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is, when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into their country. Revenge in this case naturally dictates retaliation, and that we should impose the like duties and prohibitions upon the importation of some or all of their manufactures into ours. Nations accordingly seldom fail to retaliate in this manner. The French have been particularly forward to favor their own manufactures by restraining the importation of such foreign goods as could come into competition with them. In this consisted a great part of the policy of Mr. Colbert, who, notwithstanding his great abilities, seems in this case to have

been imposed upon by the sophistry of merchants and manufacturers, who are always demanding a monopoly against their countrymen. It is at present the opinion of the most intelligent men in France that his operations of this kind have not been beneficial to his country. That minister, by the tariff of 1667, imposed very high duties upon a great number of foreign manufactures. Upon his refusing to moderate them in favor of the Dutch, they in 1671 prohibited the importation of the wines, brandies, and manufactures of France. The war of 1672 seems to have been in part occasioned by this commercial dispute. The peace of Nimeguen put an end to it in 1678, by moderating some of those duties in favor of the Dutch, who in consequence took off their prohibition. It was about the same time that the French and English began mutually to oppress each other's industry, by the like duties and prohibitions, of which the French, however, seem to have set the first example. The spirit of hostility which has subsisted between the two nations ever since, has hitherto hindered them from being moderated on either side. In 1697 the English prohibited the importation of bonelace, the manufacture of Flanders. The government of that country, at that time under the dominion of Spain, prohibited in return the importations of English woolens. In 1700, the prohibition of importing bonelace into England was taken off upon condition that the importations of the English woolens into Flanders should be put on the same footing as before.

There may be a good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high duties or prohibitions complained of. The recovery of a great foreign market will generally more than compensate the transitory inconveniency of paying dearer during a short time for some sort of goods. To judge whether such retaliations are likely to produce such an effect, does not, perhaps, belong so much to the science of a legis-

lator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary fluctuations of affairs. When there is no probability that any such repeal can be procured, it seems a bad method of compensating the injury done to certain classes of our people, to do another injury ourselves, not only to those classes, but to almost all the other classes of them. When our neighbors prohibit some manufacture of ours, we generally prohibit, not only the same, for that alone would seldom affect them considerably, but some other manufacture of theirs. This may no doubt give encouragement to some particular class of workmen among ourselves, and by excluding some of their rivals, may enable them to raise their price in the home market. Those workmen, however, who suffered by our neighbor's prohibition will not be benefited by ours. On the contrary, they and almost all the other classes of our citizens will thereby be obliged to pay dearer than before for certain goods. Every such law, therefore, imposes a real tax upon the whole country, not in favor of that particular class of workmen who were injured by our neighbors' prohibition, but of some other class.

The case in which it may sometimes be a matter of deliberation, how far, or in what manner it is proper to restore the free importation of foreign goods, after it has been for some time interrupted, is, when particular manufactures, by means of high duties or prohibitions upon all foreign goods which can come into competition with them, have been so far extended as to employ a great multitude of hands. Humanity may in this case require that the freedom of trade should be restored only by slow gradations, and with a good deal of reserve and circumspection. Were those high duties and prohibitions taken away all at once, cheaper foreign goods of the same kind might be poured so fast into the home mar-

ket, as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence. The disorder which this would occasion might no doubt be very considerable. It would in all probability, however, be much less than is commonly imagined, for the two following reasons:

First, all those manufactures, of which any part is commonly exported to other European countries without a bounty, could be very little affected by the freest importation of foreign goods. Such manufactures must be sold as cheap abroad as any other foreign goods of the same quality and kind, and consequently must be sold cheaper at home. They would still, therefore, keep possession of the home market, and though a capricious man of fashion might sometimes prefer foreign wares, merely because they were foreign, to cheaper and better goods of the same kind that were made at home, this folly could, from the nature of things, extend to so few, that it could make no sensible impression upon the general employment of the people. But a great part of all the different branches of our woolen manufacture, of our tanned leather, and of our hardware, are annually exported to other European countries without any bounty, and these are the manufactures which employ the greatest number of hands. The silk, perhaps, is the manufacture which would suffer the most by this freedom of trade, and after it the linen, though the latter much less than the former.

Secondly, though a great number of people should, by thus restoring the freedom of trade, be thrown all at once out of their ordinary employment and common method of subsistence, it would by no means follow that they would thereby be deprived either of employment or subsistence. By the reduction of the army and navy at the end of the late war, more than a hundred thousand soldiers and seamen, a number equal to what is employed in the greatest

manufactures, were all at once thrown out of their ordinary employment; but, though they no doubt suffered some inconveniency, they were not thereby deprived of all employment and subsistence. The greater part of the seamen, it is probable, gradually betook themselves to the merchant-service as they could find occasion, and in the meantime both they and the soldiers were absorbed in the great mass of the people, and employed in a great variety of occupations. Not only no great convulsion, but no sensible disorder arose from so great a change in the situation of more than a hundred thousand men, all accustomed to the use of arms, and many of them to rapine and plunder. The number of vagrants was scarce anywhere sensibly increased by it, even the wages of labor were not reduced by it in any occupation, so far as I have been able to learn, except in that of seamen in the merchant-service. But if we compare together the habits of a soldier and of any sort of manufacturer, we shall find that those of the latter do not tend so much to disqualify him from being employed in a new trade, as those of the former from being employed in any. The manufacturer has always been accustomed to look for his subsistence from his labor only; the soldier to expect it from his pay. Applications and industry have been familiar to the one; idleness and dissipation to the other. But it is surely much easier to change the direction of industry from one sort of labor to another, than to turn idleness and dissipation, to any. To the greater part of manufactures besides, it has already been observed, there are other collateral manufactures of so similar a nature, that a workman can easily transfer his industry from one of them to another. The greater part of such workmen too are occasionally employed in country labor. The stock which employed them in a particular manufacture before, will still remain in the country to employ an equal number of people in some other way. The capital of the country remaining the same, the demand

for labor will likewise be the same, or very nearly the same, though it may be exerted in different places and for different occupations. Soldiers and seamen, indeed, when discharged from the king's service, are at liberty to exercise any trade, within any town or place of Great Britain or Ireland. Let the same natural liberty of exercising what species of industry they please, be restored to all His Majesty's subjects, in the same manner as to soldiers and seamen; that is, break down the exclusive privileges of corporations, and repeal the statute of apprenticeship, both which are real encroachments upon natural liberty, and add to these the repeal of the law of settlements, so that a poor workman, when thrown out of employment either in one trade, or in one place, may seek for it in another trade or in another place, without the fear either of a prosecution or of a removal, and neither the public nor the individuals will suffer much more from the occasional disbanding some particular classes of manufacturers, than from that of soldiers. Our manufacturers have no doubt great merit with their country, but they cannot have more than those who defend it with their blood, nor deserve to be treated with more delicacy.

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceania or Utopia should ever be established in it. Not only the prejudices of the public, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate the soldiers, in the same manner as the latter enflame their workmen, to attack with violence and outrage the proposers of any such regulation,—to

attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them that, like an overgrown standing army, they have become formidable to the government, and upon many occasions intimidate the legislature. The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest public services, can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists.

The undertaker of a great manufacture, who, by the home markets being suddenly laid open to the competition of foreigners, should be obliged to abandon his trade, would no doubt suffer very considerably. That part of his capital which had usually been employed in purchasing materials and in paying his workmen might, without much difficulty perhaps, find another employment. But that part of it which was fixed in work-houses, and in the instruments of trade, could scarce be disposed of without considerable loss. The equitable regard, therefore, to his interest requires that changes of this kind should never be introduced suddenly, but slowly, gradually, and after a very long warning. The legislature, were it possible that its deliberations could be always directed, not by the clamorous importunity of partial interests, but by an extensive view of the general good, ought upon this very account, perhaps, to be particularly

careful neither to establish any new monopolies of this kind, nor to extend further those which are already established. Every such legislation introduces some degree of real disorder into the constitution of the state, which it will be difficult afterwards to cure without occasioning another disorder.

How far it may be proper to impose taxes upon the importation of foreign goods, in order, not to prevent their importation, but to raise a revenue for government, I shall consider hereafter when I come to treat of taxes. Taxes imposed with a view to prevent, or even to diminish importation, are evidently as destructive of the revenue of the customs as of the freedom of trade.

CHAPTER III.

EFFECTS OF REGULATIONS PRESCRIBING THE NATURE OF PRODUCTS.

By Jean-Baptiste Say.

BLANQUI, in his History of Political Economy, says: "Adam Smith had thrown much light on the theory of banks, division of labor, and the foundation of the value of things; he had made virtual discoveries, but he had not lived long enough to observe their applications. It was only after his death that people could judge of the effects of unlimited competition of which he was one of the first apostles, and the complicated pauperism of our days had not disturbed the serenity of those in which he lived. Political Economy was only the science of the production of wealth. It was reserved for a Frenchman (Jean-Baptiste Say), to complete the work and initiate us into the mysteries of the distribution of the profits of the labor at the same time that he made known to us the so varied phenomena of the consumption of products."

The natural wants of society and its circumstances for the time being, occasion a more or less lively demand for particular kinds of products. Consequently, in these branches of production, productive services are somewhat better paid than in the rest; that is to say, the profits upon land, capital, and labor, devoted to those branches of production, are some somewhat larger. This additional profit naturally attracts producers, and thus the nature of the products is always regulated by the wants of society.

When authority throws itself in the way of this natural course of things, and says, the product you are about to create, that which yields the greatest profits, and is consequently the most in request, is by no means the most suitable to your circumstances, you must undertake some other, it evidently directs a portion of the productive energies of the nation towards an object of less desire, at the expense of another of more urgent desire.

In France, about the year 1794, there were some persons persecuted, and even brought to the scaffold, for having converted corn land into pasturage. Yet the moment these unhappy people found it more profitable to feed cattle than to grow corn, one might have been sure that society stood more in need of cattle than of corn, and that greater value could be produced in one way than in the other.

But, said the public authorities, the value produced is of less importance than the nature of the product, and we would rather have you raise ten dollars worth of grain than twenty dollars worth of butcher's meat. In this they betrayed their ignorance of this simple truth, that the greatest product is always the best; and that an estate, which should produce in butcher's meat wherewith to purchase twice as much wheat as could have been raised upon it, produces, in reality, twice as much wheat as if it had been sowed with grain; since wheat to twice the amount is to be got for its product. This way of getting wheat, they will say to you, does not increase its total quantity. True, unless it be introduced from abroad; but nevertheless, this article must at the time be relatively more plentiful than butcher's meat, because the product of two acres of wheat is given for that of one of pasture.* And, if wheat be sufficiently scarce, and in sufficient request

* At the disastrous period in question, there was no actual want of wheat; the growers merely felt a disinclination to sell for paper money. Wheat was sold for real value at a very reasonable rate; and, though a hundred thousand acres of pasture land had been converted into arable, the disinclination to exchange wheat for a discredited paper money would not have been a jot reduced.

to make tillage more profitable than grazing, legislative interference is superfluous altogether; for self-interest will make the producer turn his attention to the former.

The only question then is, which is the most likely to know what kind of cultivation yields the largest returns, the cultivator or the government; and we may fairly take it for granted, that the cultivator, residing on the spot, making it the object of constant study and inquiry, and more interested in success than anybody, is better informed in this respect than the government.

Should it be insisted upon in argument, that the cultivator knows only the price-current of the day, and does not, like the government, provide for the future wants of the people, it may be answered, that one of the talents of a producer, and a talent his own interest obliges him assiduously to cultivate, is not the mere knowledge, but the fore-knowledge, of human wants.

An evil of the same description was occasioned, when, at another period, the proprietors were compelled to cultivate beet-root or woad in lieu of grain; indeed, we may observe, *en passant*, that it is always a bad speculation to attempt raising the products of the torrid, under the sun of the temperate latitudes. The saccharine and coloring juices, raised on the European soils, with all the forcing in the world, are very inferior in quantity and quality to those that grow in profusion in other climates; while, on the other hand, those soils yield abundance of grain and fruits too bulky and heavy to be imported from a distance. In condemning our lands to the growth of products ill suited to them, instead of those they are better calculated for, and, consequently, buying very dear what we might have cheap enough, if we would consent to receive them from places where they are produced with advantage, we are ourselves the victims of our own absurdity. It is the very *acme* of skill, to turn the powers of nature to best account, and the height of madness

to contend against them; which is in fact wasting part of our strength, in destroying those powers she designed for our aid.

Again, it is laid down as a maxim, that it is better to buy products dear, when the price remains in the country, than to get them cheap from foreign growers. On this point I must refer my readers to that analysis of production which we have just gone through. It will there be seen, that products are not to be obtained without some sacrifice, — without the consumption of commodities and productive services in some ratio or other, the value of which is in this way as completely lost to the community, as if it were to be exported.

I can hardly suppose any government will be bold enough to object, that it is indifferent about the profit, which might be derived from a more advantageous production, because it would fall to the lot of individuals. The worst governments, those which set up their own interest in the most direct opposition to that of their subjects, have by this time learned, that the revenues of individuals are the regenerating source of public revenue; and that, even under despotic and military sway, where taxation is mere organized spoliation, the subjects can pay only what they have themselves acquired.

The maxims we have been applying to agriculture are equally applicable to manufacture. Sometimes a government entertains a notion, that the manufacture of a native raw material is better for the national industry, than the manufacture of a foreign raw material. It is in conformity to this notion, that we have seen instances of preference given to the woolen and linen above the cotton manufacture. By this conduct we contrive, as far as in us lies, to limit the bounty of nature, which pours forth in different climates a variety of materials adapted to our innumerable wants. Whenever human efforts succeed in attaching to these gifts

a value, that is to say, a degree of utility, whether by their import, or by any modification we may subject them to, a useful act is performed, and an item added to national wealth. The sacrifice we made to foreigners in procuring the raw material is not a whit more to be regretted, than the sacrifice of advances and consumption, that must be made in every branch of production, before we can get a new product. Personal interest is, in all cases, the best judge of the extent of the sacrifice, and of the indemnity we may expect for it; and, although this guide may sometimes mislead us, it is the safest in the long run, as well as the least costly.

But personal interest is no longer a safe criterion, if individual interests are not left to counteract and control each other. If one individual, or one class, can call in the aid of authority to ward off the effects of competition, it acquires a privilege to the prejudice and at the cost of the whole community; it can then make sure of profits not altogether due to the productive services rendered, but composed in part of an actual tax upon consumers for its private profit; which tax it commonly shares with the authority that thus unjustly lends its support.

The legislative body has great difficulty in resisting the importunate demands for this kind of privileges; the applicants are the producers that are to benefit thereby, who can represent, with much plausibility, that their own gains are a gain to the industrious classes, and to the nation at large, their workmen and themselves being members of the industrious classes, and of the nation.*

When the cotton manufacture was first introduced in France, all the merchants of Amiens, Rheims, Beauvias, etc., joined in loud remonstrances, and represented that the indus-

* No one cries out against them, because very few know who it is that pays the gains of the monopolist. The real sufferers, the consumers themselves, often feel the pressure, without being aware of the cause of it, and are the first to abuse the enlightened individuals, who are really advocating their interests.

try of these towns was annihilated. Yet they do not appear less industrious or rich than they were fifty years ago ; while the opulence of Rouen and all Normandy has been wonderfully increased by the new fabric.

The outcry was infinitely greater, when printed calicoes first came into fashion ; all the chambers of commerce were up in arms ; meetings, discussions everywhere took place ; memorials and deputations poured in from every quarter, and great sums were spent in the opposition. Rouen now stood forward to represent the misery about to assail her, and painted, in moving colors, "old men, women, and children, rendered destitute ; the best cultivated lands in the kingdom lying waste, and the whole of a rich and beautiful province depopulated." The city of Tours urged the lamentations of the deputies of the whole kingdom, and foretold "a commotion that would shake the frame of social order itself." Lyons could not view in silence a project "which filled all her manufactories with alarm." Never on so important an occasion had Paris presented itself at the foot of a throne, "watered with the tears of commerce." Amiens viewed the introduction of printed calicoes as the gulf that must inevitably swallow up all the manufactures of the kingdom. The memorial of that city, drawn up at a joint meeting of the three corporations, and signed unanimously, ended in these terms : "To conclude, it is enough for the eternal prohibition of the use of printed calicoes, that the whole kingdom is chilled with horror at the news of their proposed toleration. *Vox populi vox dei.*"

Hear what Roland de la Platiere, who had the presentation of these remonstrances in quality of inspector-general of manufactures, says on this subject: "Is there a single individual at the present moment, who is mad enough to deny, that the fabric of printed calicoes employs an immense number of hands, what with the dressing of cotton, the spinning, weaving, bleaching, and printing ? This article has improved

the art of dyeing in a few years, more than all the other manufactures together have done in a century."

I must beg my readers to pause a moment, and reflect, what firmness and extensive information respecting the sources of public prosperity were necessary to uphold an administration against so general a clamor, supported amongst the principal agents of authority, by other motives, besides that of public utility.

Though governments have too often presumed upon their power to benefit the general wealth, by prescribing to agriculture and manufacture the raising of particular products, they have interfered much more particularly in the concerns of commerce, especially of external commerce. These bad consequences have resulted from a general system, distinguished by the name of the *exclusive* or *mercantile system*, which attributes the profits of a nation to what is technically called *a favorable balance of trade.*

We have seen, that the very advantages aimed at by the means of a favorable balance of trade, are altogether illusory; and that, supposing them real, it is impossible for a nation permanently to enjoy them. It remains to be shown, what is the actual operation of regulations framed with this object in view.

By the absolute exclusion of specific manufactures of foreign fabric, a government establishes a monopoly in favor of the home producers of these articles, and in prejudice of the home consumers; that is to say, those classes of the nation which produce them, being entitled to their exclusive sale, can raise their prices above the natural rate; while the home consumers, being unable to purchase elsewhere, are compelled to pay for them unnaturally dear. If the articles be not wholly prohibited, but merely saddled with an import-duty, the home producer can then increase their price by the whole amount of the duty, and the consumer will have to pay the difference. For example, if an import duty of 20 cents per

dozen be laid upon earthenware plates worth 60 cents per dozen, the importer, whatever country he may belong to, must charge the consumer 30 cents ; and the home manufacturer of that commodity is enabled to ask 80 cents per dozen of his customers for plates of the same quality ; which he could not do without the intervention of the duty ; because the consumer could get the same article for 60 cents : thus, a premium to the whole extent of the duty is given to the home manufacturer out of the consumer's pocket.

Should any one maintain, that the advantage of producing at home counterbalances the hardship of paying dearer for almost every article; that our own capital and labor are engaged in the production, and the profits pocketed by our own fellow-citizens; my answer is, that the foreign commodities we might import are not to be had gratis: that we must purchase them with values of home production, which would have given equal employment to our industry and capital; for we must never lose sight of this maxim, that products are always bought ultimately with products. It is most for our advantage to employ our productive powers, not in those branches in which foreigners excel us, but in those which we excel in ourselves; and with the product to purchase of others. The opposite course would be just as absurd, as if a man should wish to make his own coats and shoes. What would the world say, if, at the door of every house an import duty were laid upon coats and shoes, for the laudable purpose of compelling the inmates to make them for themselves? Would not people say with justice, Let us follow each his own pursuits, and buy what we want with what we produce, or, which comes to the same thing, with what we get for our products. The system would be precisely the same, only carried to a ridiculous extreme.

Well may it be a matter of wonder, that every nation should manifest such anxiety to obtain prohibitory regulations, if it be true that it can profit nothing by them; and

lead one to suppose the two cases not parallel, because we do not find individual householders solicitous to obtain the same privilege. But the sole difference is this, that individuals are independent and consistent beings, actuated by no contrariety of will, and more interested in their character of consumers of coats and shoes to buy them cheap, than as manufacturers to sell unnaturally dear.

Who, then, are the classes of the community so importunate for prohibitions or heavy import duties? The producers of the particular commodity, that applies for protection from competition, not the consumers of that commodity. The public interest is their plea, but self-interest is evidently their object. Well, but, say these gentry, are they not the same thing? are not our gains national gains? By no means: whatever profit is acquired in this manner, is so much taken out of the pockets of a neighbor and fellow-citizen, and, if the excess of a charge thrown upon consumers by the monopoly could be correctly computed, it would be found, that the loss of the consumer exceeds the gain of the monopolist. Here, then, individual and public interest are in direct opposition to each other; and, since public interest is understood by the enlightened few alone, is it at all surprising, that the prohibitive system should find so many partisans and so few opponents?

There is in general far too little attention paid to the serious mischief of raising prices upon the consumers. The evil is not apparent to cursory observation, because it operates piecemeal, and is felt in a very slight degree on every purchase or act of consumption: but it is really most serious, on account of its constant recurrence and universal pressure. The whole fortune of every consumer is affected by every fluctuation of price in the articles of his consumption; the cheaper they are, the richer he is, and *vice versâ*. If a single article rise in price, he is so much the more poor in respect of that article; if all rise together, he is poorer in respect to

the whole. And, since the whole nation is comprehended in the class of the consumers, the whole nation must in that case be the poorer. Besides which, it is crippled in the extension of the variety of its enjoyments, and prevented from obtaining products whereof it stands in need, in exchange for those wherewith it might procure them. It is of no use to assert, that, when prices are raised, what one gains another loses. For the position is not true, except in the case of monopolies; nor even to the full extent with regard to them; for the monopolist never profits to the full amount of the loss to the consumers. If the rise be occasioned by taxation or import duty under any shape whatever, the producer gains nothing by the increase of price, but just the reverse, so that, in fact, he is no richer in his capacity of producer, though poorer in his quality of consumer. This is one of the most effective causes of national impoverishment, or at least one of the most powerful checks to the progress of national wealth.

For this reason, it may be perceived, that it is an absurd distinction to view with more jealousy the import of foreign objects of barren consumption, than that of raw materials for home manufacture. Whether the products consumed be of domestic or of foreign growth, a portion of wealth is destroyed in the act of consumption, and a proportionate inroad made into the wealth of the community. But that inroad is the result of the act of consumption, not of the act of dealing with the foreigner; and the resulting stimulus to national production, is the same in either case. For, wherewith was the purchase of the foreign product made? either with a domestic product or with money, which must itself have been procured with a domestic product. In buying of a foreigner, the nation really does no more than send abroad a domestic product in lieu of consuming it at home, and consume in its place the foreign product received in exchange. The individual consumer himself, probably,

does not conduct this operation; commerce conducts it for him. No one country can buy of another, except with its own domestic products.

In defense of import duties it is often urged, "that when the interest of money is lower abroad than at home, the foreign has an advantage over the home producer, which must be met by a countervailing duty." The lower rate of interest is, to the foreign producer, an advantage, analogous to that of the superior quality of his land. It tends to cheapen the products he raises; and it is reasonable enough that our domestic consumers should take the benefit of that cheapness. The same motive will operate here, that leads us rather to import sugar and indigo from tropical climates, than to raise them in our own.

"But capital is necessary in every branch of production: so that the foreigner, who can procure it at a lower rate of interest, has the same advantage in respect to every product; and, if the free importation be permitted, he will have an advantage over all classes of home producers." Tell me, then, how his products are to be paid for. "Why, in specie, and there lies the mischief." And how is the specie to be got to pay for them? "All the nation has, will go in that way; and when it is exhausted national misery will be complete." So, then, it is admitted, that before arriving at this extremity, the constant efflux of specie will gradually render it more scarce at home, and more abundant abroad; wherefore, it will gradually rise 1, 2, 3, per cent. higher in value at home than abroad; which is fully sufficient to turn the tide, and make specie flow inwards faster than it flowed outwards. But it will not do so without some returns; and of what can the returns be made, but of products of the land, or the commerce of the nation? For there is no possible means of purchasing from foreign nations, otherwise than with the products of the national land and commerce; and it is better to buy of them what they can

produce cheaper than ourselves, because we may rest assured that they must take in payment what we can produce cheaper than they. This they must do, else there must be an end of all interchange.

In pursuit of what it mistakes for profound policy, or to gratify feelings it supposes to be laudable, a government will sometimes prohibit or divert the course of a particular trade, and thereby do irreparable mischief to the productive powers of the nation. When Philip II became master of Portugal, and forbade all intercourse between his new subjects and the Dutch, whom he detested, what was the consequence? The Dutch, who before resorted to Lisbon for the manufactures of India, of which they took off an immense quantity, finding this avenue closed against their industry, went straight to India for what they wanted, and in the end, drove out the Portuguese from that quarter; and, what was meant as the deadly blow of inveterate hatred, turned out the main source of their aggrandizement. "Commerce," says Fenelon, "is like the native springs of the rock, which often cease to flow altogether, if it be attempted to alter their course."*

Such are the principal evils of impediments thrown in the way of import, which are carried to the extreme point by absolute prohibition. There have, indeed, been instances of nations that have thriven under such a system; but then it was because the causes of national prosperity were more powerful than the causes of national impoverishment. Nations resemble the human frame, which contains a vital principle, that incessantly labors to repair the inroads of excess and dissipation upon its health and constitution. Nature is active

* The national convention of France prohibited the import of raw hides from Spain, on the plea that they injured the trade in those of France; not observing, that the self-same hides went back to Spain in a tanned state. The tanneries of France being obliged to procure the raw article at too dear a rate, were quickly abandoned; and the manufacture was transferred to Spain, along with great part of the capital, and many of the hands employed. It is next to impossible for a government, not only to do any good to national production by its interference, but even to avoid doing mischief.

in closing the wounds and healing the bruises inflicted by our own awkardness and intemperance. In like manner, states maintain themselves, nay, often increase in prosperity, in spite of the infinite injuries of every description, which friends as well as enemies inflict upon them. And it is worth remarking, that the most industrious nations are those, which are the most subjected to such outrage, because none others could survive them. The cry is then "our system must be the true one, for the national prosperity is advancing." Whereas, were we to take an enlarged view of the circumstances that for the last three centuries have combined to develop the power and faculties of man; to survey with the eye of intelligence the progress of navigation and discovery, of invention in every branch of art and science; to take account of the variety of useful animals and vegetables that have been transplanted from one hemisphere to the other, and to give a due attention to the vast augmentation and increased scope both of science and of its practical applications that we are daily witnesses of, we could not resist the conviction, that our actual prosperity is nothing to what it might have been; that it is engaged in a perpetual struggle against the obstacles and impediments thrown into its way; and that even in those parts of the world where mankind is deemed the most enlightened, a great part of their time and exertions are occupied in destroying instead of multiplying their resources, in despoiling instead of assisting each other; and all for want of correct knowledge and information respecting their real interests.

But, to return to the subject we have just been examining, the nature of the injury that a community suffers by difficulties thrown in the way of the introduction of foreign commodities. The mischief occasioned to the country that produces the prohibited article, is of the same kind and description. It is prevented from turning its capital and industry to the best account. But it is not to be supposed that

the foreign nation can by this means be utterly ruined and stripped of all resource, as Napoleon seemed to imagine, when he excluded the products of Britain from the markets of the continent. To say nothing of the impossibility of effecting a complete and actual blockade of a whole country, opposed as it must be by the universal motive of self-interest, the utmost effect of it can only be to drive its production into a different channel. A nation is always competent to the purchase and consumption of the whole of its own products, for products are always bought with other products. Do you think it possible to prevent England from producing value to the amount of a million, by preventing her export of woolens to that amount? You are much mistaken if you do. England will employ the same capital and the same manual labor in the preparation of ardent spirits, by the distillation of grain or other domestic products, that were before occupied in the manufacture of woolens for the French market, and she will then no longer bring her woolens to be bartered for French brandies. A country, in one way or other, direct or indirect, always consumes the values it produces, and can consume nothing more. If it cannot exchange its products with its neighbors, it is compelled to produce values of such kinds only as it can consume at home. This is the utmost effect of prohibitions; both parties are worse provided, and neither is at all the richer.

Napoleon, doubtless, occasioned much injury, both to England and to the continent, by cramping their mutual relations of commerce as far as he possibly could. But, on the other hand, he did the continent of Europe the involuntary service of facilitating the communication between its different parts, by the universality of dominion, which his ambition had well-nigh achieved. The frontier duties between Holland, Belgium, part of Germany, Italy, and France, were demolished; and those of the other powers, with the exception of England, were far from oppressive. We may form some estimate of

the benefit thence resulting to commerce, from the discontent and stagnation that have ensued upon the establishment of the present system of lining the frontier of each state with a triple guard of *douaniers*. All the continental states so guarded have, indeed, preserved their former means of production; but that production has been made less advantageous.

It cannot be denied, that France has gained prodigiously by the suppression of the provincial barriers and custom-houses, consequent upon her political revolution. Europe had, in like manner, gained by the partial removal of the international barriers between its different political states; and the world at large would derive similar benefit from the demolition of those, which insulate, as it were, the various communities into which the human race is divided.

I have omitted to mention other very serious evils of the exclusive system; as, for instance, the creation of a new class of crime, that of smuggling: whereby an action wholly innocent in itself, is made legally criminal; and persons, who are actually laboring for the general welfare, are subjected to punishment.

Smith admits of two circumstances, that, in his opinion, will justify a government in resorting to import-duties: — 1. When a particular branch of industry is necessary to the public security, and the external supply cannot be safely reckoned upon. On this account a government may very wisely prohibit the import of gunpowder, if such prohibition be necessary to set the powder-mills at home in activity; for it is better to pay somewhat dear for so essential an article, than to run the risk of being unprovided in the hour of need. 2. Where a similar commodity of home produce is already saddled with a duty. The foreign article, if wholly exempt from duty, would in this case have an actual privilege; so that a duty imposed has not the effect of destroying, but of restoring the natural equilibrium and relative position of the different branches of production.

Indeed, it is impossible to find any reasonable ground for exempting the production of values by the channel of external commerce from the same pressure of taxation that weighs upon the production effected in those of agriculture and manufacture. Taxation is, doubtless, an evil, and one which should be reduced to the lowest possible degree; but when once a given amount of taxation is admitted to be necessary, it is but common justice to lay it equally on all three branches of industry. The error I wish to expose to reprobation is the notion of taxes of this kind are favorable to production. A tax can never be favorable to the public welfare, except by the good use that is made of its proceeds.

These points should never be lost sight of in the framing of commercial treaties, which are really good for nothing but to protect industry and capital, diverted into improper channels by the blunders of legislation. These it would be far wiser to remedy than to perpetuate. The healthy state of industry and wealth is the state of absolute liberty, in which each interest is left to take care of itself. The only useful protection authority can afford them is that against fraud or violence. Taxes and restrictive measures never can be a benefit: they are at the best a necessary evil; to suppose them useful to the subjects at large, is to mistake the foundation of national prosperity, and to set at naught the principles of political economy.

Import duties and prohibitions have often been resorted to as a means of retaliation: "Your government throws impediments in the way of introduction of our national products; are not we, then, justified in equally impeding the introduction of yours?" This is the favorite plea, and the basis of most commercial treaties; but people mistake their object; granting that nations have a right to do one another as much mischief as possible; which, by the way, I can hardly admit; I am not here disputing their rights, but discussing their interests.

Undoubtedly, a nation that excludes you from all commercial intercourse with her, does you an injury;—robs you, as far as in her lies, of the benefits of external commerce; if, therefore, by the dread of retaliation, you can induce her to abandon her exclusive measures, there is no question about the expediency of such retaliation, as a matter of mere policy. But it must not be forgotten that retaliation hurts yourself as well as your rival; that it operates, not defensively against her selfish measures, but offensively against yourself, in the first instance, for the purpose of indirectly attacking her. The only point in question is this, what degree of vengeance you are animated by, and how much will you consent to throw away upon its gratification. I will not undertake to enumerate all the evils arising from treaties of commerce, or to apply the principles enforced throughout this work to all the clauses and provisions usually contained in them. I will confine myself to the remark, that almost every modern treaty of commerce has had for its basis the imaginary advantage and possibility of the liquidation of a favorable balance of trade by an import of specie. If these turn out to be chimerical, whatever advantage may have resulted from such treaties must be wholly referred to the additional freedom and facility of international communication obtained by them, and not at all to their restrictive clauses or provisoes, unless either of the contracting parties has availed itself of its superior power, to exact conditions savoring of a tributary character; as England has done in relation to Portugal. In such case, it is mere exaction and spoliation.

Again, I would observe, that the offer of peculiar advantages by one nation to another, in the way of a treaty of commerce, if not an act of hostility, is at least one of extreme odium in the eyes of other nations. For the concession to one can only be rendered effectually by the refusal to others. Hence the germ of discord and of war, with all

its mischiefs. It is infinitely more simple, and I hope to have shown, more profitable also, to treat all nations as friends, and impose no higher duties on the introduction of their products, than what are necessary to place them on the same footing as those of domestic growth.

Yet, notwithstanding all the mischiefs resulting from the exclusion of foreign products, which I have been depicting, it would be an act of unquestionable rashness suddenly to change even so ruinous a policy. Disease is not to be eradicated in a moment; it requires nursing and management to dispense even national benefits. Monopolies are an abuse, but an abuse in which enormous capital is vested, and numberless industrious agents employed, which deserve to be treated with consideration; for this mass of capital and industry cannot all at once find a more advantageous channel of national production. Perhaps the cure of all the partial distresses that must follow the downfall of that colossal monster in politics, the exclusive system, would be as much as the talent of any single statesman could accomplish; yet when one considers calmly the wrongs it entails when it is established, and the distresses consequent upon its overthrow, we are insensibly led to the reflection, that, if it be so difficult to set shackled industry at liberty again, with what caution ought we not to receive any proposition for enslaving her!

But governments have not been content with checking the import of foreign products. In the firm conviction, that national prosperity consists in selling without buying, and blind to the utter impossibility of the thing, they have gone beyond the mere imposition of a tax or fine upon purchasing of foreigners, and have in many instances offered rewards in the shape of bounties for selling to them.

CHAPTER IV.

SPEECH OF HENRY CLAY

IN DEFENCE OF THE AMERICAN SYSTEM,* IN THE SENATE OF THE UNITED STATES, FEBRUARY 2, 3, AND 6, 1832.

IN one sentiment, Mr. President, expressed by the honorable gentleman from South Carolina (General Hayne), though perhaps not in the sense intended by him, I entirely concur. I agree with him, that the decision on the system of policy embraced in this debate, involves the future destiny of this growing country. One way I verily believe, it would lead to deep and general distress, general bankruptcy and national ruin, without benefit to any part of the Union; the other, the existing prosperity will be preserved and augmented, and the nation will continue rapidly to advance in wealth, power, and greatness, without prejudice to any section of the confederacy.

Thus viewing the question, I stand here as the humble but zealous advocate, not of the interests of one State, or seven States only, but of the whole Union. And never before have I felt more intensely the overpowering weight of that share of responsibility which belongs to me in these deliberations. Never before have I had more occasion than I now have to lament my want of those intellectual powers, the possession of which might enable me to unfold to this Senate, and to illustrate to this people great truths, inti-

*We omit some things that would be irrelevant at present, but the principal arguments are given.

mately connected with the lasting welfare of my country. I should, indeed, sink overwhelmed and subdued beneath the appalling magnitude of the task which lies before me, if I did not feel myself sustained and fortified by a thorough consciousness of the justness of the cause which I have espoused, and by a persuasion, I hope not presumptuous, that it has the approbation of that Providence who has so often smiled upon these United States.

If the system of protection be founded on principles erroneous in theory, pernicious in practice—above all if it be unconstitutional, as is alleged, it ought to be forthwith abolished, and not a vestige of it suffered to remain. But, before we sanction this sweeping denunciation, let us look a little at this system, its magnitude, its ramifications, its duration, and the high authorities which have sustained it. We shall see that its foes will have accomplished comparatively nothing, after having achieved their present aim of breaking down our iron foundries, our woolen, cotton, and hemp manufactories, and our sugar plantations. The destruction of these would, undoubtedly, lead to the sacrifice of immense capital, the ruin of many thousands of our fellow citizens, and incalculable loss to the whole community. But their prostration would not disfigure, nor produce greater effect upon the *whole* system of protection, in all its branches, than the destruction of the beautiful domes upon the capitol would occasion to the magnificent edifice which they surmount. Why, sir, there is scarcely an interest, scarcely a vocation in society, which is not embraced by the beneficence of this system.

It comprehends our coasting tonnage and trade, from which all foreign tonnage is absolutely excluded.

It includes all our foreign tonnage, with the inconsiderable exception made by treaties of reciprocity with a few foreign powers.

It embraces our fisheries, and all our hardy and enterprising fishermen.

It extends to almost every mechanic art.

It extends to all lower Louisiana, the Delta of which might as well be submerged again in the Gulf of Mexico, from which it has been a gradual conquest, as now to be deprived of the protecting duty upon its great staple.

It affects the cotton planter himself, and the tobacco planter, both of whom enjoy protection.

Such are some of the items of this vast system of protection, which it is now proposed to abandon. We might well pause and contemplate, if human imagination could conceive the extent of mischief and ruin from its total overthrow, before we proceed to the work of destruction. Its duration is worthy also of serious consideration. Not to go behind the Constitution, its date is coeval with that instrument. It began on the ever memorable fourth day of July —the fourth day of July, 1789. The second act which stands recorded in the statute book, bearing the illustrious signature of George Washington, laid the corner-stone of the whole system. That there might be no mistake about the matter, it was then solemnly proclaimed to the American people and to the world, that it was *necessary* for the "encouragement and *protection* of manufactures," that duties should be laid. It is in vain to urge the small amount of the measure of the protection then extended. The great principle was then established by the fathers of the constitution, with the father of his country at their head. (And it cannot now be questioned, that, if the government had not then been new and the subject untried, a greater measure of protection would have been applied, if it had been supposed necessary.) Shortly after, the master minds of Jefferson and Hamilton were brought to act on this interesting subject. Taking views of it appertaining to the departments of foreign affairs and of the treasury, which they respectively filled, they presented, severally, reports which yet remain monuments of their profound wisdom, and came to the

same conclusion of protection to American industry. Mr. Jefferson argued that foreign restrictions, foreign prohibitions, and foreign high duties, ought to be met at home by American restrictions, American prohibitions, and American high duties. Mr. Hamilton, surveying the entire ground, and looking at the inherent nature of the subject, treated it with an ability, which, if ever equaled, has not been surpassed, and earnestly recommended protection.

The wars of the French revolution commenced about this period, and streams of gold poured into the United States through a thousand channels, opened or enlarged by the successful commerce which our neutrality enabled us to prosecute. We forgot or overlooked, in the general prosperity, the necessity of encouraging our domestic manufactures. Then came the edicts of Napoleon, and the British orders in council; and our embargo, non-intercourse, non-importation, and war, followed in rapid succession. These national measures, amounting to a total suspension, for the period of their duration, of our foreign commerce, afforded the most efficacious encouragement to American manufactures; and accordingly they everywhere sprung up. While these measures of restriction, and this state of war continued, the manufacturers were stimulated in their enterprise by every assurance of support, by public sentiment, and by legislative resolves. It was about that period (1808) that South Carolina bore her high testimony to the wisdom of the policy, in an act of her legislature, the preamble of which, now before me, reads:

"Whereas, the establishment and *encouragement* of domestic manufactures, is conducive to the interests of a State, by adding new *incentives to industry*, and as being the means of disposing to advantage the surplus productions of the *agriculturist;* and whereas, in the present unexampled state of the world, their establishment in our country is not only *expedient*, but politic in rendering us *independent* of foreign nations."

The legislature, not being competent to afford the most efficacious aid, by imposing duties on foreign rival articles, proceeded to incorporate a company.

Peace, under the treaty of Ghent, returned in 1815, but there did not return with it the golden days which preceded the edicts leveled at our commerce by Great Britain and France. It found all Europe tranquilly resuming the arts and business of civil life. It found Europe no longer the consumer of our surplus, and the employer of our navigation, but excluding, or heavily burthening, almost all the productions of our agriculture, and our rivals in manufactures, in navigation, and in commerce. It found our country, in short, in a situation totally different from all the past—new and untried. It became necessary to adapt our laws, and especially our laws of impost, to the new circumstances in which we found ourselves. Accordingly, that eminent and lamented citizen, then at the head of the treasury (Mr. Dallas), was required, by a resolution of the House of Representatives, under date the twenty-third day of February, 1815, to prepare and report to the succeeding session of Congress, a system of revenue conformable with the actual condition of the country. He had the circle of a whole year to perform the work, consulted merchants, manufacturers, and other practical men, and opened an extensive correspondence. The report which he made at the session of 1816, was the result of his inquiries and reflections, and embodies the principles which he thought applicable to the subject. It has been said, that the tariff of 1816 was a measure of mere revenue, and that it only reduced the war duties to a peace standard. It is true that the question then was, how much and in what way should the double duties of the war be reduced? Now, also, the question is, on what articles shall the duties be reduced so as to subject the amounts of the future revenue to the wants of the government? Then it was deemed an inquiry

of the first importance, as it should be now, how the reduction should be made, so as to secure proper encouragement to our domestic industry. That this was a leading object in the arrangement of the tariff of 1816, I well remember, and it is demonstrated by the language of Mr. Dallas. He says in his report:

"There are few, if any, governments which do not regard the establishment of domestic manufactures as a chief object of public policy. The United States have *always* so regarded it. The demands of the country, while the acquisitions of supplies from foreign nations was either prohibited or impracticable, may have afforded sufficient inducement for this investment of capital, and this application of labor; but the inducement, in its necessary extent, must fail when the day of *competition* returns. Upon that change in the condition of the country, the preservation of the manufactures, which private citizens under favorable auspices have constituted the property of the nation, becomes a consideration of general policy, to be resolved by a recollection of past embarrassments; by the certainty of an increased difficulty of reinstating, upon any emergency, the manufactures which shall be allowed to perish and pass away," etc.

The measure of protection which he proposed was not adopted, in regard to some leading articles, and there was great difficulty in ascertaining what it ought to have been. But the *principle* was then distinctly asserted and fully sanctioned.

The subject of the American system was again brought up in 1820, by the bill reported by the chairman of the committee of manufactures, now a member of the bench of the Supreme Court of the United States, and the principle was successfully maintained by the representatives of the people; but the bill which they passed was defeated in the Senate. It was revived in 1824; the whole ground carefully and deliberately explored, and the bill then introduced, receiving

all the sanctions of the Constitution, became the law of the land. An amendment of the system was proposed in 1828, to the history of which I refer with no agreeable recollections. The bill of that year, in some of its provisions, was framed on principles directly adverse to the declared wishes of the friends of the policy of protection. I have heard, without vouching for the fact, that it was so framed upon the advice of a prominent citizen, now abroad, with the view of ultimately defeating the bill, and with assurances that, being altogether unacceptable to the friends of the American system, the bill would be lost. Be that as it may, the most exceptional features of the bill were stamped upon it, against the earnest remonstrances of the friends of the system, by the votes of southern members, upon a principle, I think, as unsound in legislation as it is reprehensible in ethics. (The bill was passed, notwithstanding all this, it having been deemed better to take the bad along with the good which it contained, than reject it altogether.) Subsequent legislation has corrected the error then perpetrated, but still that measure is vehemently denounced by gentlemen who contributed to make it what it was.

Thus, sir, has this great system of protection been gradually built, stone upon stone, and step by step, from the fourth of July, 1789, down to the present period. In every stage of its progress it has received the deliberate sanction of Congress. A vast majority of the people of the United States has approved and continue to approve it. Every chief magistrate of the United States, from Washington to the present, in some form or other, has given to it the authority of his name; and however the opinions of the existing President are interpreted south of Mason and Dixon's line, on the north they are at least understood to favor the establishment of a (*judicious* tariff.)

The question, therefore, which we are now called upon to determine, is not whether we shall establish a new and

doubtful system of policy, just proposed, and for the first time presented to our consideration, but whether we shall break down and destroy a long-established system, patiently and carefully built up and sanctioned, during a series of years, again and again, by the nation and its highest and most revered authorities. Are we not bound deliberately to consider whether we can proceed to this work of destruction without a violation of the public faith? The people of the United States have justly supposed that the policy of protecting their industry against foreign legislation and foreign industry was fully settled, not by a single act, but by repeated and deliberate acts of government, performed at distant and frequent intervals. In full confidence that the policy was firmly and unchangeably fixed, thousands upon thousands have invested their capital, purchased a vast amount of real and other estate, made permanent establishments, and accommodated their industry. Can we expose to utter and irretrievable ruin this countless multitude, (without justly incurring the reproach of violating the national faith?)

Such are the origin, duration, extent, and sanctions of the policy which we are now called upon to subvert. Its beneficial effects, although they may vary in degree, have been felt in all parts of the Union. To none, I verily believe, has it been prejudicial. In the North, everywhere, testimonials are borne to the high prosperity which it has diffused. There, all branches of industry are animated and flourishing. Commerce, foreign and domestic, active; cities and towns springing up, enlarging, and beautifying; navigation fully and profitably employed, and the whole face of the (country smiling with improvement,) cheerfulness, and abundance.

When gentlemen have succeeded in their design of an immediate or gradual destruction of the American system, what is their substitute? Free trade! Free trade! The call

for free trade is as unavailing as the cry of a spoiled child, in its nurse's arms, for the moon, or the stars that glitter in the firmament of heaven. It never has existed, it never will exist. Trade implies at least two parties. To be free, it should be fair, equal, and reciprocal. But if we throw our ports wide open to the admission of foreign productions, free of all duty, what ports of any other foreign nation shall we find open to the free admission of our surplus products? We may break down all barriers to free trade on our part, but the work will not be complete until foreign powers shall have removed theirs. There would be freedom on one side, and restrictions, prohibitions, and exclusions on the other. The bolts, and the bars, and the chains of all other nations will remain undisturbed. It is, indeed, possible, that our industry and commerce would accommodate themselves to this unequal and unjust state of things; for, such is the flexibility of our nature, that it bends itself to all circumstances. The wretched prisoner incarcerated in a jail, after a long time becomes reconciled to his solitude, and regularly notches down the passing days of his confinement.

Gentlemen deceive themselves. It is not free trade that they are recommending to our acceptance. It is, in effect, the British colonial system that we are invited to adopt; and, if their policy prevail, it will lead substantially to the recolonization of these States, under the commercial dominion of Great Britain. And whom do we find some of the principal supporters, out of Congress, of this foreign system? Mr. President, there are some foreigners who always remain exotics, and never become naturalized in our country; while, happily, there are many others who readily attach themselves to our principles and our institutions. The honest, patient, and industrious German readily unites with our people, establishes himself upon some of our fat land, fills his capacious barn, and enjoys in tranquility the abundant fruits which his diligence gathers around him, always ready to fly to the

standard of his adopted country, or of its laws, when called by the duties of patriotism. The gay, the versatile, the philosophic Frenchman, accommodating himself cheerfully to all the vicissitudes of life, incorporates himself without difficulty in our society. But, of all foreigners, none amalgamate themselves so quickly with our people as the natives of the Emerald Isle. In some of the visions which have passed through my imagination, I have supposed that Ireland was originally part and parcel of this continent, and that, by some extraordinary convulsion of nature, it was torn from America, and drifting across the ocean, was placed in the unfortunate vicinity of Great Britain. The same open-heartedness; the same generous hospitality; the same careless and uncalculating indifference about human life, characterize the inhabitants of both countries. Kentucky has been sometimes called the Ireland of America. And I have no doubt, that if the current of emigration were reversed, and set from America upon the shores of Europe, instead of bearing from Europe to America, every American emigrant to Ireland would there find, as every Irish emigrant here finds, a hearty welcome and a happy home!

But I have said that the system nominally called "free trade," so earnestly and eloquently recommended to our adoption, is a mere revival of the British colonial system, forced upon us by Great Britain during the existence of our colonial vassalage. The whole system is fully explained and illustrated in a work published as far back as the year 1750, entitled "The Trade and Navigation of Great Britain Considered by Joshua Gee," with extracts from which I have been furnished by the diligent researches of a friend. It will be seen from these, that the South Carolina policy now is identical with the long-cherished policy of Great Britain, which remains the same as it was when the thirteen colonies were part of the British empire.

I regret, Mr. President, that one topic has, I think, unnecessarily been introduced into this debate. I allude to the charge brought against the manufacturing system, as favoring the growth of aristocracy. If it were true, would gentlemen prefer supporting foreign accumulations of wealth, by that description of industry, rather than in their own country? But is it correct? The joint stock companies of the North, as I understand them, are nothing more than associations, sometimes of hundreds, by means of which the small earnings of many are brought into a common stock, and the associates, obtaining corporate privileges, are enabled to prosecute, under one superintending head, their business to better advantage. Nothing can be more essentially democratic or better devised to counterpoise the influence of individual wealth. In Kentucky, almost every manufactory known to me is in the hands of enterprising and self-made men, who have acquired whatever wealth they possess by patient and diligent labor. Comparisons are odious, and but in defense, would not be made by me. But is there more tendency to aristocracy in a manufactory supporting hundreds of freemen, or in a cotton plantation, with its not less numerous slaves, sustaining perhaps only two white families — that of the master and overseer?

I pass, with pleasure, from this disagreeable topic, to two general propositions, which cover the entire ground of debate. The first is, that under the operation of the American system, the objects which it protects and fosters are brought to the consumer at cheaper prices than they commanded prior to its introduction, or, than they would command if it did not exist. If that be true, ought not the country to be contented and satisfied with the system, unless the second proposition, which I mean presently also to consider, is unfounded? And that is, that the tendency of the system is to sustain, and that it has upheld the prices of all our agricultural and other produce, including cotton.

And is the fact not indisputable, that all essential objects of consumption affected by the tariff, are cheaper and better since the act of 1824, than they were for several years prior to that law? I appeal for its truth to common observation, and to all practical men. I appeal to the farmer of the country, whether he does not purchase on better terms his iron, salt, brown sugar, cotton goods, and woolens, for his laboring people? And I ask the cotton planter if he has not been better and more cheaply supplied with his cotton bagging? In regard to this latter article, the gentleman from South Carolina was mistaken in supposing that I complained that, under the existing duty the Kentucky manufacturer could not compete with the Scotch. The Kentuckian furnishes a more substantial and cheaper article, and at a more uniform and regular price. But it was the frauds, the violation of law, of which I did complain; not smuggling, in the common sense of that practice, which has something bold, daring, and enterprising in it, but mean, barefaced cheating, by fraudulent invoices and false denomination.

I plant myself upon this fact, of cheapness and superiority, as upon impregnable ground. Gentlemen may tax their ingenuity and produce a thousand speculative solutions to the fact, but the fact itself will remain undisturbed.

This brings me to consider what I apprehend to have been the most efficient of all the causes in the reduction of the prices of manufactured articles—and that is COMPETITION. By competition, the total amount of the supply is increased, and by increase of the supply, a competition in the sale ensues, and this enables the consumer to buy at lower rates. Of all human powers operating on the affairs of mankind, none is greater than that of competition. It is action and re-action. It operates between individuals in the same nation, and between different nations. It resembles the meeting of the mountain torrent, grooving by its precipitous motion, its own channel, and ocean's tide. Unopposed, it sweeps everything

before it; but, counterpoised, the waters become calm, safe, and regular. It is like the segments of a circle or an arch; taken separately, each is nothing; but in their combination they produce efficiency, symmetry, and perfection. By the American system, this vast power has been excited in America, and brought into being to act in co-operation and collision with European industry. Europe acts within itself, and with America; and America acts within itself, and with Europe. The consequence is, the reduction of prices in both hemispheres. Nor is it fair to argue from the reduction of prices in Europe, to her own presumed skill and labor, exclusively. We affect her prices, and she affects ours. This must always be the case, at least in reference to any articles as to which there is not a total non-intercourse; and if our industry, by diminishing the demand for her supplies, should produce a diminution in the price of those supplies, it would be very unfair to ascribe that reduction to her ingenuity instead of placing it to the credit of our own skill and *excited* industry.

The great law of *price* is determined by supply and demand. Whatever affects either, affects the price. If the supply is increased, the demand remaining the same, the price declines; if the demand is increased, the supply remaining the same, the price advances; if both supply and demand are undiminished, the price is stationary, and the price is influenced exactly in proportion to the degree of disturbance to the demand or supply. It is therefore a great error to suppose that an existing or new duty *necessarily* becomes a component element to its exact amount of price. If the proportion of demand and supply are varied by the duty, either in augmenting the supply, or diminishing the demand, or *vice versa*, price is affected to the extent of that variation. But the duty never becomes an integral part of the price except in the instances where the demand and the supply remain after the duty is imposed, precisely what they were

before, or the demand is increased, and the supply remains stationary.

Competition, therefore, wherever existing, whether at home or abroad, is the parent cause of cheapness. If a high duty excites production at home, and the quantity of the domestic article exceeds the amount which had been previously imported the price will fall. This accounts for an extraordinary fact stated by a Senator from Missouri. Three cents were laid as a duty upon a pound of lead, by the act of 1828. The price at Galena, and the other lead mines, afterwards fell to one and a half cents per pound. Now it is obvious that the duty did not, in this case, enter into the price: for it was twice the amount of the price. What produced the fall? It was *stimulated* production at home, excited by the temptation of the exclusive possession of the home market. This state of things could not last. Men would not continue an unprofitable pursuit; some abandoned the business, or the total quantity produced was diminished, and living prices have been the consequence. But, break down the domestic supply. place us again in a state of dependence on the foreign source, and can it be doubted that we should ultimately have to supply ourselves at dearer rates? It is not fair to credit the foreign market with the depression of prices produced there by the influence of our competition. Let the competition be withdrawn, and their prices would instantly rise.

But, it is argued that if, by the skill, experience, and perfection which we have acquired in certain branches of manufacture, they can be made as cheap as similar articles abroad, and enter fairly into competition with them, why not repeal the duties as to those articles? And why should we? Assuming the truth of the supposition the foreign article would not be introduced in the regular course of trade, but would remain excluded by the possession of the home market, which the domestic article had obtained. The

repeal, therefore, would have no legitimate effect. But might not the foreign article be imported in vast quantities, to glut our markets, break down our establishments, and ultimately to enable the foreigner to monopolize the supply of our consumption? America is the greatest foreign market for European manufactures. It is that to which European attention is constantly directed. If a great house becomes bankrupt there, its storehouses are emptied, and the goods are shipped to America, where, in consequence of our auctions, and our custom-house credits, the greatest facilities are afforded in the sale of them. Combinations among manufacturers might take place, or even the operations of foreign governments might be directed to the destruction of our establishments. A repeal, therefore, of our protecting duty, from some one or all of these causes, would be followed by flooding the country with the foreign fabric, surcharging the market, reducing the price, and a complete prostration of our manufactories; after which the foreigner would leisurely look about to indemnify himself in the increased prices which he would be enabled to command by his monopoly of the supply of our consumption. What American citizen, after the government had displayed this vacillating policy, would be again tempted to place the smallest confidence in the public faith, and adventure once more in this branch of industry?

Gentlemen have allowed to the manufacturing portions of the community no peace; they have been constantly threatened with the overthrow of the American System. From the year 1820, if not from 1816, down to this time, they have been held in a condition of constant alarm and insecurity. Nothing is more prejudicial to the great interests of a nation than unsettled and varying policy. Although every appeal to the national legislature has been responded to in conformity with the wishes and sentiments of the great majority of the people, measures of protection have only

been carried by such small majorities as to excite hopes on the one hand, and fears on the other. Let the country breathe, let its vast resources be developed, let its energies be fully put forth, let it have tranquility, and my word for it, the degree of perfection in the arts which it will exhibit will be greater than that which has been presented, astonishing as our progress has been. Although some branches of our manufactures might, and in foreign markets now do, fearlessly contend with similar foreign fabrics, there are many others yet in their infancy, struggling with the difficulties which encompass them. We should look at the whole system, and recollect that time, when we contemplate the great movements of a nation, is very different from the short period which is allotted for the duration of individual life. The honorable gentleman from South Carolina well and eloquently said, in 1824, "No great interest of any country ever yet grew up in a day; no new branch of industry can become firmly and profitably established but in a long course of years; every thing, indeed, great or good, is matured by slow degrees: that which attains a speedy maturity is of small value, and is destined to a brief existence. It is the order of Providence, that powers gradually developed shall alone attain permanency and perfection. Thus must it be with our national institutions, and national character itself."

I feel most sensibly, Mr. President, how much I have trespassed upon the Senate. My apology is a deep and deliberate conviction, that the great cause under debate involves the prosperity and the destiny of the Union. But the best requital I can make, for the friendly indulgence which has been extended to me by the Senate, and for which I shall ever retain sentiments of lasting gratitude, is to proceed with as little delay as practicable, to the conclusion of a discourse which has not been more tedious to the Senate than exhausting to me. I have now to consider the

remaining of the two propositions which I have already announced. That is:

Secondly. That under the operation of the American system, the products of our agriculture command a higher price than they would do without it, by the creation of a home market; and by the augmentation of wealth produced by manufacturing industry, which enlarges our powers of consumption, both of domestic and foreign articles. The importance of the home market is among the established maxims which are universally recognized by all writers and all men. However some may differ as to the relative advantages of the foreign and the home market, none deny to the latter great value and high consideration. It is nearer to us; beyond the control of foreign legislation; and undisturbed by those vicissitudes to which all international intercourse is more or less exposed. The most stupid are sensible of the benefit of a residence in the vicinity of a large manufactory, or of a market town, of a good road, or of a navigable stream, which connects their farms with some great capital. If the pursuits of all men were perfectly the same, although they would be in possession of the greatest abundance of the particular produce of their industry, they might, at the same time, be in extreme want of other necessary articles of human subsistence. The uniformity of the general occupation would preclude all exchanges, all commerce. It is only in the diversity of the vocations of the members of a community that the means can be found for those salutary exchanges which conduce to the general prosperity. And the greater that diversity, the more extensive and the more animating is the circle of exchange. Even if foreign markets were freely and widely open to the reception of our agricultural produce, from its bulky nature, and the distance of the interior, and the dangers of the ocean, large portions of it could never profitably reach the foreign market. But let us quit this field of theory, clear

as it is, and look at the practical operation of the system of protection, beginning with the most valuable staple of our agriculture.

But if all this reasoning were totally fallacious—if the price of manufactured articles were really higher, under the American system, than without it, I should still argue that high or low prices were themselves relative—relative to the ability to pay them. It is in vain to tempt, to tantalize us with the lower prices of European fabrics than our own, if we have nothing wherewith to purchase them. If, by the home exchanges, we can be supplied with necessary, even if they are dearer and worse, articles of American production than the foreign, it is better than not to be supplied at all. And how would the large portion of our country which I have described be supplied, but for the home exchanges? A poor people, destitute of wealth or of exchangeable commodities, has nothing to purchase foreign fabrics. To them they are equally beyond their reach, whether their cost be a dollar or a guinea. It is in this view of the matter that Great Britain, by her vast wealth—her *excited and protected* industry—is enabled to bear a burden of taxation which, when compared to that of other nations, appears enormous; but which, when her immense riches are compared to theirs, is light and trivial. The gentleman from South Carolina has drawn a lively and flattering picture of our coasts, bays, rivers, and harbors; and he argues that these proclaimed the design of Providence, that we should be a commercial people. I agree with him. We differ only as to the means. He would cherish the foreign, and neglect the internal trade. I would foster both. What is navigation without ships, or ships without cargoes? By penetrating the bosoms of our mountains, and extracting from them their precious treasures; by cultivating the earth, and *securing* a home market for its rich and abundant products; by employing the water power with which we are blessed; by stimulating and

protecting our native industry, in all its forms; we shall but nourish and promote the prosperity of commerce, foreign and domestic.

I have hitherto considered the question in reference only to a state of peace; but a season of war ought not to be entirely overlooked. We have enjoyed near twenty years of peace; but who can tell when the storm of war shall again break forth? Have we forgotten so soon, the privations to which not merely our brave soldiers and our gallant tars were subjected, but the whole community, during the last war, for the want of absolute necessaries? To what an enormous price they rose! And how inadequate the supply was, at any price! The statesman who justly elevates his views, will look behind, as well as forward, and at the existing state of things; and he will graduate the policy which he recommends, to all the probable exigencies which may arise in the Republic. Taking this comprehensive range, it would be easy to show that the higher prices of peace, if prices were higher in peace, were more than compensated by the lower prices of war, during which supplies of all essential articles are indispensable to its vigorous, effectual, and glorious prosecution. I conclude this part of the argument with the hope that my humble exertions have not been altogether unsuccessful in showing—

1. That the policy which we have been considering ought to continue to be regarded as the genuine American system.

2. That the free trade system, which is proposed as its substitute, ought really to be considered as the British Colonial system.

3. That the American system is beneficial to all parts of the Union, and absolutely necessary to much the larger portion.

4. That the price of the great staple of cotton, and of all our chief productions of agriculture, has been sustained and upheld, and a decline averted by the protective system.

5. That if the foreign demand for cotton has been at all diminished by the operation of that system, the diminution has been more than compensated in the additional demand created at home.

6. That the constant tendency of the system, by creating competition among ourselves, and between American and European industry, reciprocally acting upon each other, is to reduce prices of manufactured objects.

7. That in point of fact, objects within the scope of the policy of protection have greatly fallen in price.

8. That if, in a season of peace, these benefits are experienced, in a season of war, when the foreign supply might be cut off, they would be much more extensively felt.

9. And finally, that the substitution of the British colonial system for the American system, without benefiting any section of the Union, by subjecting us to a foreign legislation, regulated by foreign interests, would lead to the prostration of our manufactures, general impoverishment, and ultimate ruin.

The danger to our Union does not lie on the side of persistence in the American system, but on that of its abandonment. If, as I have supposed and believe, the inhabitants of all north and east of James river, and all west of the mountains, including Louisiana, are deeply interested in the preservation of that system, would they be reconciled to its overthrow? Can it be expected that two-thirds, if not three-fourths, of the people of the United States, would consent to the destruction of a policy, believed to be indispensably necessary to their prosperity? When, too, the sacrifice is made at the instance of a single interest, which they verily believe will not be promoted by it? In estimating the degree of peril which may be incident to two opposite courses of human policy, the statesman would be short-sighted who should content himself with viewing only the evils, real or imaginary, which belong to that course which is in practical operation. He should lift himself up to the

contemplation of those greater and more certain dangers which might inevitably attend the adoption of the alternative course. What would be the condition of this Union, if Pennsylvania and New York, those mammoth members of our confederacy, were firmly persuaded that their industry was paralyzed, and their prosperity blighted, by the enforcement of the British colonial system, under the delusive name of free trade? They are now tranquil and happy, and contented, conscious of their welfare, and feeling a salutary and rapid circulation of the products of home manufactures and home industry throughout all their great arteries. But let that be checked, let them feel that a foreign system is to predominate, and the sources of their subsistence and comfort dried up; let New England and the west, and the middle States, all feel that they too are the victims of a mistaken policy, and let these vast portions of our country despair of any favorable change, and then indeed might we tremble for the continuance and safety of this Union!

And now, sir, I would address a few words to the friends of the American system in the Senate. The revenue must —ought to be reduced. The country will not, after, by the payment of the public debt, ten or twelve millions of dollars become unnecessary, bear such an annual surplus. Its distribution would form a subject of perpetual contention. Some of the opponents of the system understand the stratagem by which to attack it, and are shaping their course accordingly. It is to crush the system by the accumulation of revenue, and by the effort to persuade the people that they are unnecessarily taxed, while those would really tax them who would break up the native sources of supply, and render them dependent upon the foreign. But the revenue ought to be reduced, so as to accommodate it to the fact of the payment of the public debt. And the alternative is or may be, to preserve the protecting system, and repeal the duties on the unprotected articles, or to *preserve* the duties on *unprotected* articles, and endanger if not destroy the sys-

tem. Let us then adopt the measure before us, which will benefit all classes; the farmer, the professional man, the merchant, the manufacturer, the mechanic; and the cotton planter more than all. A few months ago there was no diversity of opinion as to the expediency of this measure. All, then, seemed to unite in the selection of these objects for a repeal of duties which were not produced within the country. Such a repeal did not touch our domestic industry, violated no principle, offended no prejudice.

Can we not all, whatever may be our favorite theories, cordially unite on this neutral ground? When that is occupied, let us look beyond it, and see if anything can be done in the field of protection, to modify or improve it, or to satisfy those who are opposed to the system. Our southern brethren believe that it is injurious to them, and ask its repeal. We believe that its abandonment will be prejudicial to them, and ruinous to every other section of the Union. However strong their convictions may be, they are not stronger than ours. Between the points of the preservation of the system and its absolute repeal, there is no principle of union. If it can be shown to operate immoderately on any quarter—if the measure of protection to any article can be demonstrated to be undue and inordinate, it would be the duty of Congress to interpose and apply a remedy. And none will co-operate more heartily than I shall in the performance of that duty. It is quite probable that beneficial modifications of the system may be made without impairing its efficacy. But to make it fulfill the purposes of its institution, the measure of protection ought to be adequate. If it be not, all interests will be injuriously affected. The manufacturer, crippled in his exertions, will produce less perfect and dearer fabrics, and the consumer will feel the consequence. This is the spirit, and these are the principles only, on which, it seems to me, that a settlement of the great question can be made, satisfactorily to all parts of our Union. (Applause)

CHAPTER V.

PROTECTION AND FREE TRADE.

By John Stuart Mill.

OF INTERFERENCES OF GOVERNMENT GROUNDED ON ERRONEOUS THEORIES.

FROM the necessary functions of government, and the effects produced on the economical interests of society by their good or ill discharge, we proceed to the functions which belong to what I have termed, for want of a better designation, the optional class; those which are sometimes assumed by governments and sometimes not, and which it is not unanimously admitted they ought to exercise.

Before entering on the general principles of the question, it will be advisable to clear from our path all those cases, in which government interference works ill, because grounded on false views of the subject interfered with. Such cases have no connection with any theory respecting the proper limits of interference. There are some things with which governments ought not to meddle, and other things with which they ought; but whether right or wrong in itself, the interference must work for ill, if government, not understanding the subject which it meddles with, meddles to bring about a result which would be mischievous. We will therefore begin by passing in review various false theories, which have from time to time formed the ground of acts of government more or less economically injurious.

Former writers on Political Economy have found it need-

ful to devote much trouble and space to this department of their subject. It has now happily become possible, at least in our own country, greatly to abridge this purely negative part of our discussions. The false theories of Political Economy which have done so much mischief in times past, are entirely discredited among all who have not lagged behind the general progress of opinion; and few of the enactments which were once grounded on those theories, still help to deform the statute book. As the principles on which their condemnation rests, have been fully set forth in other parts of this treatise, we may here content ourselves with a few brief indications.

OF THESE FALSE THEORIES, THE MOST NOTABLE IS THE DOCTRINE OF PROTECTION TO NATIVE INDUSTRY.

A phrase meaning the prohibition, or the discouragement by heavy duties, of such foreign commodities as are capable of being produced at home. If the theory involved in this system had been correct, the practical conclusions grounded on it would not have been unreasonable. The theory was, that to buy things produced at home was a national benefit, and the introduction of foreign commodities, generally a national loss. It being at the same time evident that the interest of the consumer is to buy foreign commodities in preference to domestic whenever they are either cheaper or better, the interest of the consumer appeared in this respect to be contrary to the public interest; he was certain, if left to his own inclinations, to do what according to the theory was injurious to the public.

It was shown, however, in our analysis of the effects of international trade, as it had been often shown by former writers, that the importation of foreign commodities in the common course of traffic, never takes place, except when it is, economically speaking, a national good, by causing the same amount of commodities to be obtained at a smaller

cost of labor and capital to the country. To prohibit, therefore, this importation, or impose duties which prevent it, is to render the labor and capital of the country less efficient in production than they would otherwise be; and compel a waste, of the difference between the labor and capital necessary for the home production of the commodity, and that which is required for producing the things with which it can be purchased from abroad. The amount of national loss thus occasioned is measured by the excess of the price at which the commodity is produced, over that at which it could be imported. In the case of manufactured goods, the whole difference between the two prices is absorbed in indemnifying the producers for waste of labor, or of the capital which supports that labor. Those who are supposed to be benefited, namely, the makers of the protected articles (unless they form an exclusive company, and have a monopoly against their own countrymen as well as against foreigners), do not obtain higher profits than other people. All is sheer loss to the country as well as to the consumer. When the protected article is a product of agriculture — the waste of labor not being incurred on the whole produce, but only on what may be called the last installment of it — the extra price is only in part an indemnity for waste, the remainder being a tax paid to the landlords.

The restrictive and prohibitory policy was originally grounded on what is called the mercantile system, which, representing the advantages of foreign trade to consist solely in bringing money into the country, gave artificial encouragement to exportation of goods, and discountenanced their importation. The only exceptions to the system were those required by the system itself. The materials and instruments of production were the subjects of a contrary policy, directed however to the same end; they were freely imported, and not permitted to be exported, in order that manufacturers, being more cheaply supplied with the requi-

sites of manufacture, might be able to sell cheaper, and, therefore, to export more largely. For a similar reason, importation was allowed and even favored, when confined to the productions of countries which were supposed to take from the country still more than it took from them, thus enriching it by a favorable balance of trade. As part of the same system, colonies were founded, for the supposed advantage of compelling them to buy our commodities, or at all events not to buy those of any other country; in return for which restrictions, we were generally willing to come under an equivalent obligation with respect to the staple productions of the colonists. The consequences of the theory were pushed so far, that it was not unusual even to give bounties on exportation, and induce foreigners to buy from us rather than from other countries, by a cheapness which we artificially produced, by paying part of the price for them out of our own taxes. This is a stretch beyond the point yet reached by any private tradesman in his competition for business. No shop-keeper, I should think, ever made a practice of bribing customers by selling goods to them at a permanent loss, making it up to himself from other funds in his possession.

The principle of the mercantile theory is now given up even by writers and governments who still cling to the restrictive system. Whatever hold that system has over men's minds, independently of the private interests exposed to real or apprehended loss by its abandonment, is derived from fallacies other than the old notion of the benefits of heaping up money in the country. The most effective of these is the specious plea of employing our own countrymen and our national industry, instead of feeding and supporting the industry of foreigners. The answer to this is evident. Without reverting to the fundamental theorem respecting the nature and sources of employment for labor, it is sufficient to say, what has usually been said by the advocates

of free trade, that the alternative is not between employing our own people and foreigners, but between employing one class and other of our own people. The imported commodity is always paid for, directly or indirectly, with the produce of our own industry; that industry being, at the same time, rendered more productive, since, with the same labor and outlay, we are enabled to possess ourselves of a greater quantity of the article. Those who have not well considered the subject are not apt to suppose that our exporting an equivalent in our own produce, for the foreign articles we consume, depends on contingencies — on the consent of foreign countries to make some corresponding relaxation of their own restrictions, or on the question whether those from whom we buy are induced by that circumstance to buy more from us; and that, if these things, or things equivalent to them, do not happen, the payment must be made in money. Now, in the first place, there is nothing more objectionable in a money payment than in payment by any other medium, if the state of the market makes it the most advantageous remittance; and the money itself was first acquired, and would again be replenished, by the export of an equivalent value of our own products. But, in the next place, a very short interval of paying in money would so lower prices as either to stop a part of the importation, or raise up a foreign demand for our produce, sufficient to pay for the imports. I grant that this disturbance of the equation of international demand would be in some degree to our disadvantage in the purchase of other imported articles; and that a country which prohibits some foreign commodities, does, *cæteris paribus*, obtain those which it does not prohibit, at a less price than it would otherwise have to pay. To express the same thing in other words: a country which destroys or prevents altogether certain branches of foreign trade, thereby annihilating a general gain to the world, which would be shared in some proportion between itself and

other countries, does, in some circumstances, draw to itself, at the expense of foreigners, a larger share than would else belong to it of the gain arising from that portion of its foreign trade which it suffers to subsist. But even this it can only be enabled to do, if foreigners do not maintain equivalent prohibitions or restrictions against its commodities. In any case, the justice or expediency of destroying one of two gains, in order to engross a rather larger share of the other, does not require much discussion; the gain, too, which is destroyed, being, in proportion to the magnitude of the transactions, the larger of the two, since it is the one which capital, left to itself, is supposed to seek by preference.

Defeated as a general theory, the protectionist doctrine finds support in some particular cases, from considerations which, when really in point, involve greater interests than mere saving of labor; the interests of national subsistence and of national defense. The discussions on the corn laws have familiarized everybody with the plea, that we ought to be independent of foreigners for the food of the people; and the navigation laws were grounded, in theory and profession, on the necessity of keeping up a "nursery of seamen" for the navy. On this last subject I at once admit, that the object is worth the sacrifice; and that a country exposed to invasion by sea, if it cannot otherwise have sufficient ships and sailors of its own, to secure the means of manning on an emergency an adequate fleet, is quite right in obtaining those means, even at an economical sacrifice in point of cheapness of transport. When the English navigation laws were enacted, the Dutch, from their maritime skill and their low rate of profit at home, were able to carry for other nations, England included, at cheaper rates than those nations could carry for themselves; which placed all other countries at a great comparative disadvantage in obtaining experienced seamen for their ships of war. The

navigation laws, by which this deficiency was remedied, and at the same time a blow struck against the maritime power of a nation with which England was then frequently engaged in hostilities, were probably, though economically disadvantageous, politically expedient. But English ships and sailors can now navigate as cheaply as those of any other country; maintaining at least an equal competition with the other maritime nations even in their own trade. The ends which may once have justified navigation laws, require them no longer, and afforded no reason for maintaining this invidious exception to the general rule of free trade.

With regard to subsistence, the plea of the protectionists has been so often and so triumphantly met, that it requires little notice here. That country is the most steadily, as well as the most abundantly, supplied with food, which draws its supplies from the largest surface. It is ridiculous to found a general system of policy on so improbable a danger as that of being at war with all the nations of the world at once; or to suppose that, even if inferior at sea, a whole country could be blockaded like a town, or that the growers of food in other countries would not be as anxious not to lose an advantageous market, as we should be not to be deprived of their corn. On the subject, however, of subsistence, there is one point which deserves more especial consideration. In cases of actual or apprehended scarcity, many countries of Europe are accustomed to stop the exportation of food. Is this, or not, sound policy? There can be no doubt that in the present state of international morality, a people cannot, any more than an individual, be blamed for not starving itself to feed others. But if the greatest amount of good to mankind on the whole, were the end aimed at in the maxims of international conduct, such collective churlishness would certainly be condemned by them. Suppose that in ordinary circumstances the trade in food

were perfectly free, so that the price in one country could not habitually exceed that in any other by more than the cost of carriage, together with a moderate profit to the importer. A general scarcity ensues, affecting all countries, but in unequal degrees. If the price rose in one country more than in others, it would be a proof that in that country the scarcity was severest, and that by permitting food to go freely thither from any other country, it would be spared from a less urgent necessity to relieve a greater. When the interests, therefore, of all countries are considered, free exportation is desirable. To the exporting country considered separately, it may, at least on the particular occasion, be an inconvenience; but taking into account that the country which is now the giver, will in some future season be the receiver, and the one that is benefited by the freedom, I cannot but think that even to the apprehension of food-rioters it might be made apparent, that in such cases they should do to others what they would wish done to themselves.

In countries in which the system of protection is declining, but not yet wholly given up, such as the United States, a doctrine has come into notice which is a sort of compromise between free trade and restriction, namely, that protection for protection's sake is improper, but that there is nothing objectionable in having as much protection as may incidentally result from a tariff framed solely for revenue. Even in England, regret is sometimes expressed that a "moderate fixed duty" was not preserved on corn, on account of the revenue it would yield. Independently, however, of the general impolicy of taxes on the necessaries of life, this doctrine overlooks the fact, that revenue is received only on the quantity imported, but that the tax is paid on the entire quantity consumed. To make the public pay much that the treasury may receive a little, is not an eligible mode of obtaining a revenue. In the case of manufactured articles the doctrine involves a palpable inconsistency. The

object of the duty as a means of revenue, is inconsistent with its affording, even incidentally, any protection. It can only operate as protection in so far as it prevents importation; and to whatever degree it prevents importation, it affords no revenue.

THE ONLY CASE IN WHICH, ON MERE PRINCIPLES OF POLITICAL ECONOMY, PROTECTING DUTIES CAN BE DEFENSIBLE,

Is when they are imposed temporarily (especially in a young and rising nation) in hopes of naturalizing a foreign industry, in itself perfectly suitable to the circumstances of the country. The superiority of one country over another in a branch of production, often arises only from having begun it sooner. There may be no inherent advantage on one part, or disadvantage on the other, but only a present superiority of acquired skill and experience. A country which has this skill and experience yet to acquire, may in other respects be better adapted to the production than those which were earlier in the field; and besides, it is a just remark of Mr. Rae, that nothing has a greater tendency to promote improvements in any branch of production, than its trial under a new set of conditions. But it cannot be expected that individuals should, at their own risk, or rather to their certain loss, introduce a new manufacture, and bear the burthen of carrying it on until the producers have been educated up to the level of those with whom the processes are traditional. A protecting duty, continued for a reasonable time, will sometimes be the least inconvenient mode in which the nation can tax itself for the support of such an experiment. But the protection should be confined to cases in which there is good ground of assurance that the industry which it fosters will after a time be able to dispense with it; nor should the domestic producers ever be allowed to expect that it will be continued to them beyond the time necessary for a fair trial of what they are capable of accomplishing.

The only writer of any reputation as a political economist, who now adheres to the protectionist doctrine, Mr. H. C. Carey, rests its defense, in an economic point of view, principally on two reasons. One is, the great saving in cost of carriage, consequent on producing commodities at or very near to the place where they are to be consumed. The whole of the cost of carriage, both on the commodities imported and on those exported in exchange for them, he regards as a direct burthen on the producers, and not, as is obviously the truth, on the consumers. On whomsoever it falls, it is, without doubt, a burthen on the industry of the world. But it is obvious (and that Mr. Carey does not see it, is one of the many surprising things in his book) that the burthen is only borne for a more than equivalent advantage. If the commodity is bought in a foreign country with domestic produce in spite of the double cost of carriage, the fact proves that, heavy as that cost may be, the saving in cost of production outweighs it, and the collective labor of the country is on the whole better remunerated than if the article were produced at home. Cost of carriage is a natural protecting duty, which free trade has no power to abrogate; and unless America gained more by obtaining her manufactures through the medium of her corn and cotton, than she loses in cost of carriage, the capital employed in producing corn and cotton in annually increased quantities for the foreign market, would turn to manufactures instead. The natural advantage attending a mode of industry in which there is less cost of carriage to pay, can at most be only a justification for a temporary and merely tentative protection. The expenses of production being always greatest at first, it may happen that the home production, though really the most advantageous, may not become so until after a certain duration of pecuniary loss, which it is not to be expected that private speculators should incur in order that their successors may be benefited by their ruin. I have therefore conceded

that in a new country, a temporary protecting duty may sometimes be economically defensible; on condition, however, that it be strictly limited in point of time, and provision be made that during the latter part of its existence it be on a gradually decreasing scale. Such temporary protection is of the same nature as a patent, and should be governed by similar conditions.

The remaining argument of Mr. Carey in support of the economic benefits of protectionism, applies only to countries whose exports consist of agricultural produce. He argues, that by a trade of this description they actually send away their soil; the distant consumers not giving back to the land of the country, as home consumers would do, the fertilizing elements which they abstract from it. This argument deserves attention, on account of the physical truth on which it is founded; a truth which has only lately come to be understood, but which is henceforth destined to be a permanent element in the thoughts of statesmen, as it must always have been in the destinies of nations. To the question of protectionism, however, it is irrelevant. That the immense growth of raw produce in America to be consumed in Europe, is progressively exhausting the soil of the Eastern, and even of the older Western States, and that both are already far less productive than formerly, is credible in itself, even if no one bore witness to it. But what I have already said respecting cost of carriage, is true also of the cost of manuring. Free trade does not compel America to export corn; she would cease to do so, if it ceased to be to her advantage. As, then, she would not persist in exporting raw produce and importing manufactures any longer than the labor she saved by doing so exceeded what the carriage cost her; so, when it becomes necessary for her to replace in the soil the elements of fertility which she had sent away, if the saving in cost of production were more than equivalent to the cost of carriage and of manure together, manure would be imported, and if

not, the export of corn would cease. It is evident that one of these two things would already have taken place, if there had not been at hand a constant succession of new soils, not yet exhausted of their fertility, the cultivation of which enables her, whether judiciously or not, to postpone the question of manure. As soon as it no longer answers better to break up new soils than to manure the old, America will either become a regular importer of manure, or will without protecting duties grow corn for herself only, and manufacturing for herself, will make her manure, as Mr. Carey desires, at home.

For these obvious reasons, I hold Mr. Carey's economic arguments for protectionism to be totally invalid. The economic, however, is far from being the strongest point of his case. American protectionists often reason extremely ill, but it is an injustice to them to suppose that their protectionist creed rests upon nothing superior to an economic blunder: many of them have been led to it much more by consideration for the higher interests of humanity, than by purely economic reasons. They, and Mr. Carey at their head, deem it a necessary condition of human improvement that towns should abound; that men should combine their labor, by means of interchange, with near neighbors—with people of pursuits, capacities, and mental cultivation different from their own, sufficiently close at hand for mutual sharpening of wits and enlarging of ideas—rather than with people on the opposite side of the globe. They believe that a nation all engaged in the same, or nearly the same, pursuit—a nation all agricultural—cannot attain a high state of civilization and culture. And for this there is a great foundation of reason. If the difficulty can be overcome, the United States, with their free institutions, their universal schooling, and their omnipresent press, are the people to do it; but whether this is possible or not, is still a problem. So far, however, as it is an object to check the excessive dispersion of the popula-

tion, Mr. Wakefield has pointed out a better way: to modify the existing method of disposing of the unoccupied lands, by raising their price, instead of lowering it, or giving away the land gratuitously, as is largely done since the passing of the Homestead Act. To cut the knot in Mr. Carey's fashion, by protectionism, it would be necessary that Ohio and Michigan should be protected against Massachusetts as well as against England; for the manufactories of New England, no more than those of the old country, accomplish his desideratum of bringing a manufacturing population to the doors of the Western farmer. Boston and New York do not supply the want of local towns to the Western prairies, any better than Manchester; and it is as difficult to get back the manure from the one place as from the other.

There is only one part of the protectionist scheme which requires any further notice: its policy towards colonies, and foreign dependencies; that of compelling them to trade exclusively with the dominant country. A country which thus secures to itself an extra foreign demand for its commodities, undoubtedly gives itself some advantage in the distribution of the general gains of the commercial world. Since, however, it causes the industry and capital of the colony to be diverted from channels which are proved to be the most productive, inasmuch as they are those into which industry and capital spontaneously tend to flow; there is a loss, on the whole, to the productive powers of the world, and the mother country does not gain so much as she makes the colony lose. If, therefore, the mother country refuses to acknowledge any reciprocity of obligation, she imposes a tribute on the colony in an indirect mode, greatly more oppressive and injurious than the direct. But if, with a more equitable spirit, she submits herself to corresponding restrictions for the benefit of the colony, the result of the whole transaction is the ridiculous one, that each party loses much, in order that the other may gain a little.

MONOPOLIES—COMBINATION LAWS.

Governments, however, are oftener chargeable with having attempted, too successfully, to make things dear, than with having aimed by wrong means at making them cheap. The usual instrument for producing artificial dearness is monopoly. To confer a monopoly upon a producer or dealer, or upon a set of producers or dealers not too numerous to combine, is to give them the power of levying any amount of taxation on the public, for their individual benefit, which will not make the public forego the use of the commodity. When the shares in the monopoly are so numerous and so widely scattered that they are prevented from combining, the evil is considerably less: but even then the competition is not so active among a limited, as among an unlimited number. Those who feel assured of a fair average proportion in the general business, are seldom eager to get a larger share, by foregoing a portion of their profits. A limitation of competition, however partial, may have mischievous effects quite disproportioned to the apparent cause. The mere exclusion of foreigners, from a branch of industry open to the free competition of every native, has been known, even in England, to render that branch a conspicuous exception to the general industrial energy of the country. The silk manufacture of England remained far behind that of other countries of Europe, so long as the foreign fabrics were prohibited. In addition to the tax levied for the profit, real or imaginary, of the monopolists, the consumer thus pays an additional tax for their laziness and incapacity. When relieved from the immediate stimulus of competition, producers and dealers grow indifferent to the dictates of their ultimate pecuniary interest; preferring to the most hopeful prospects, the present ease of adhering to routine. A person who is already thriving, seldom puts himself out of his way to commence even a lucrative improvement,

unless urged by the additional motive of fear lest some rival should supplant him by getting possession of it before him.

The condemnation of monopolies ought not to extend to patents, by which the originator of an improved process is allowed to enjoy, for a limited period, the exclusive privilege of using his own improvement. This is not making the commodity dear for his benefit, but merely postponing a part of the increased cheapness which the public owe to the inventor, in order to compensate and reward him for the service. That he ought to be both compensated and rewarded for it, will not be denied, and also that if all were at once allowed to avail themselves of his ingenuity, without having shared the labors or the expenses which he had to incur in bringing his idea into a practical shape, either such expenses and labors would be undergone by nobody, except very opulent and very public-spirited persons, or the state must put a value on the service rendered by an inventor, and make him a pecuniary grant. This has been done in some instances, and may be done without inconvenience in cases of very conspicuous public benefit; but in general an exclusive privilege, of temporary duration, is preferable; because it leaves nothing to any one's discretion; because the reward conferred by it depends upon the invention's being found useful, and the greater the usefulness the greater the reward; and because it is paid by the very persons to whom the service is rendered, the consumers of the commodity. So decisive, indeed, are those considerations, that if the system of patents were abandoned for that of rewards by the state, the best shape which these could assume would be that of a small temporary tax, imposed for the inventor's benefit, on all persons making use of the invention. To this, however, or to any other system which would vest in the state the power of deciding whether an inventor should derive any pecuniary advantage from the public benefit which he confers, the objections are evidently stronger and more

fundamental than the strongest which can possibly be urged against patents. It is generally admitted that the present patent laws need much improvement; but in this case, as well as in the closely analogous one of copyright, it would be a gross immorality in the law to set everybody free to use a person's work without his consent and without giving him an equivalent. I have seen with real alarm several recent attempts, in quarters carrying some authority, to impugn the principle of patents altogether; attempts which, if practically successful, would enthrone free stealing under the prostituted name of free trade, and make the men of brains, still more than at present, the needy retainers and dependents of the men of money-bags.

CHAPTER VI.

SPEECH OF HORACE GREELEY ON THE GROUNDS OF PROTECTION.*

Mr. President and Respected Auditors:—It has devolved on me, as junior advocate for the cause of protection, to open the discussion of this question. I do this with less diffidence than I should feel in meeting able opponents and practiced disputants on almost any other topic, because I am strongly confident that you, my hearers, will regard this as a subject demanding logic rather than rhetoric; the exhibition and proper treatment of homely truths, rather than the indulgence of flights of fancy. As sensible as you can be of my deficiencies as a debater, I have chosen to put my views on paper, in order that I may present them in as concise a manner as possible, and not consume my hour before commencing my argument. You have nothing of oratory to lose by this course; I will hope that something may be gained to my cause in clearness and force. And here let me say that, while the hours I have been enabled to give to preparation for this debate have been few indeed, I feel the less regret in that my *life* has been in some measure a preparation. If there be any subject to which I have devoted time, and thought, and patient study, in a spirit of

* Speech at the Tabernacle, New York, February 10, 1843, in public debate on this resolution:—

Resolved, That a Protective Tariff is conducive to our National Prosperity.

Affirmative: JOSEPH BLUNT, HORACE GREELEY. Negative: SAMUEL J. TILDEN, PARKE GODWIN.

From Greeley's "Recollections of a Busy Life."

anxious desire to learn and follow the truth, it is this very question of protection; if I have totally misapprehended its character and bearings, then am I ignorant, hopelessly ignorant indeed. And, while I may not hope to set before you, in the brief space allotted me, all that is essential to a full understanding of a question which spans the whole arch of political economy,—on which able men have written volumes without at all exhausting it,—I *do* entertain a sanguine hope that I shall be able to set before you considerations conclusive to the candid and unbiased mind of the policy and necessity of protection. Let us not waste our time on non-essentials. That unwise and unjust measures have been adopted under the *pretence* of protection, I stand not here to deny; that laws *intended* to be protective have sometimes been injurious in their tendency, I need not dispute. The logic which would thence infer the futility or the danger of protective legislation would just as easily prove *all* laws and all policy mischievous and destructive. Political Economy is one of the latest born of the sciences; the very fact that we meet here this evening to discuss a question so fundamental as this, proves it to be yet in its comparative infancy. The sole favor I shall ask of my opponents, therefore, is that they will not waste their efforts and your time in attacking positions that we do not maintain, and hewing down straw giants of their own manufacture, but meet directly the arguments which I shall advance, and which, for the sake of simplicity and clearness, I will proceed to put before you in the form of propositions and their illustrations, as follows:—

PROPOSITION I. *A Nation which would be prosperous, must prosecute various branches of industry, and supply its vital wants mainly by the labor of its own hands.*

Cast your eyes where you will over the face of the earth, trace back the history of man and of nations to the earliest recorded periods, and I think you will find this rule uniformly

prevailing, that the nation which is eminently agricultural and grain-exporting,—which depends mainly or principally on other nations for its regular supplies of manufactured fabrics,—has been comparatively a *poor* nation, and ultimately a *dependent* nation. I do not say that this is the *instant* result of exchanging the rude staples of agriculture for the more delicate fabrics of art; but I maintain that it is the inevitable *tendency*. The agricultural nation falls in debt, becomes impoverished, and ultimately subject. The palaces of "merchant princes" may emblazon its harbors and overshadow its navigable waters; there may be a mighty Alexandria, but a miserable Egypt behind it; a flourishing Odessa or Dantzic, but a rude, thinly-peopled southern Russia or Poland; the exchangers may flourish and roll in luxury, but the producers famish and die. Indeed, few old and civilized countries become largely exporters of grain until they have lost, or by corruption are prepared to surrender, their independence; and these often present the spectacle of the laborer starving on the fields he has tilled, in the midst of their fertility and promise. These appearances rest upon and indicate a law, which I shall endeavor hereafter to explain. I pass now to my

PROPOSITION II. *There is a natural tendency in a comparatively new country to become and continue an exporter of grain and other rude staples and an importer of manufactures.*

I think I hardly need waste time in demonstrating this proposition, since it is illustrated and confirmed by universal experience, and rests on obvious laws. The new country has abundant and fertile soil, and produces grain with remarkable facility; also, meats, timber, ashes, and most rude and bulky articles. Labor is there in demand, being required to clear, to build, to open roads, etc., and the laborers are comparatively few; while, in older countries, labor is abundant and cheap, as also are capital, machinery,

and all the means of the cheap production of manufactured fabrics. I surely need not waste words to show that, in the absence of any counteracting policy, the new country will import, and continue to import, largely of the fabrics of older countries, and to pay for them, so far as she may, with her agricultural staples. I will endeavor to show hereafter that she will continue to do this long after she has attained a condition to manufacture them as cheaply for herself, even regarding the *money* cost alone. But that does not come under the present head. The whole history of our country, and especially from 1782 to '90, when we had no tariff and scarcely any paper money,—proves that, whatever may be the currency or the internal condition of the new country, it will continue to draw its chief supplies from the old,—large or small according to its measure of ability to pay or obtain credit for them; but still, putting duties on imports out of the question, it will continue to buy its manufactures abroad, whether in prosperity or adversity, inflation or depression. I now advance to my

PROPOSITION III. *It is injurious to the new country thus to continue dependent for its supplies of clothing and manufactured fabrics on the old.*

As this is probably the point on which the doctrines of protection first come directly in collision with those of free trade, I will treat it more deliberately, and endeavor to illustrate and demonstrate it.

I presume I need not waste time in showing that the ruling price of grain (as any manufacture) in a region whence it is considerably exported, will be *its price at the point to which it is exported, less the cost of such transportation.* For instance: the cost of transporting wheat hither from large grain-growing sections of Illinois, was last fall sixty cents; and, New York being their most available market, and the price here ninety cents, the market there at once settled at

thirty cents. As this adjustment of prices rests on a law obvious, immutable as gravitation, I presume I need not waste words in establishing it.

I proceed, then, to my next point. The average price of wheat throughout the world is something less than one dollar per bushel; higher where the consumption largely exceeds the adjacent production, lower where the production largely exceeds the immediate consumption (I put out of view in this statement the inequalities created by tariffs, as I choose at this point to argue the question on the basis of universal free trade, which is of course the basis most favorable to my opponents). I say, then, if all tariffs were abolished to-morrow, the price of wheat in England—that being the most considerable ultimate market of surpluses, and the chief supplier of our manufactures—would govern the price in this country, while it would be itself governed by the price at which that staple could be procured in sufficiency from other grain-growing regions. Now, southern Russia and central Poland produce wheat for exportation at thirty to fifty cents per bushel; but the price is so increased by the cost of transportation that at Dantzic it averages some ninety and at Odessa some eighty cents per bushel. The cost of importation to England from these ports being ten and fifteen cents respectively, the actual cost of the article in England, all charges paid, and allowing for a small increase of price consequent on the increased demand, would not in the absence of all tariffs whatever, exceed one dollar and ten cents per bushel; and this would be the average price at which we must sell it in England in order to buy thence the great bulk of our manufactures. I think no man will dispute or seriously vary this calculation. Neither can any reflecting man seriously contend that we could purchase forty or fifty millions' worth or more of foreign manufactures per annum, and pay for them in additional products of our slave labor—in cotton and tobacco. The consumption

of these articles is now pressed to its utmost limit,—that of cotton especially is borne down by the immense weight of the crops annually thrown upon it, and almost constantly on the verge of a glut. If we are to buy our manufactures principally from Europe, we must pay for the additional amount mainly in the products of northern agricultural industry,—that is universally agreed on. The point to be determined is, whether we could obtain them abroad cheaper —*really* and positively cheaper, all tariffs being abrogated— than under an efficient system of protection.

Let us closely scan this question. Illinois and Indiana, natural grain-growing States, need cloths; and, in the absence of all tariffs, these can be transported to them from England for two to three per cent. of their value. It follows, then, that, in order to undersell any American competition, the British manufacturer need only put his cloths at his factory *five* per cent. below the wholesale price of such cloths in Illinois, in order to command the American market. That is, allowing a fair broadcloth to be manufactured in or near Illinois for three dollars and a quarter per yard, cash price, in the face of British rivalry, and paying American prices for materials and labor, the British manufacturer has only to make that same cloth at three dollars per yard in Leeds or Huddersfield, and he can decidedly undersell his American rival, and drive him out of the market. Mind, I do not say that he *would* supply the Illinois market at that price *after* the American rivalry had been crushed; I know he *would not*; but, so long as any serious effort to build up or sustain manufactures in this country existed, the large and strong European establishments would struggle for the additional market which our growing and plenteous country so invitingly proffers. It is well known that in 1815–16, after the close of the last war, British manufactures were offered for sale in our chief markets at the rate of "*pound for pound*," — that is, fabrics of which the first cost to the

manufacturer was $4.44 were offered in Boston market at $3.33, duty paid. This was not sacrifice — it was dictated by a profound forecast. Well did the foreign fabricants know that their self-interest dictated the utter overthrow, at whatever cost, of the young rivals which the war had built up in this country, and which our government and a majority of the people had blindly or indolently abandoned to their fate. William Cobbett, the celebrated radical, but with a sturdy English heart, boasted upon his first return to England that he had been actively engaged here in promoting the interests of his country by compassing the destruction of American manufactories in various ways which he specified — "*sometimes* (says he) *by fire.*" We all know that great sacrifices are often submitted to by a rich and long-established stage owner, steamboat proprietor, or whatever, to break down a young and comparatively penniless rival. So in a thousand instances, especially in a rivalry for so large a prize as the supplying with manufactures of a great and growing nation. But I here put aside all calculations of a temporary sacrifice; I suppose merely that the foreign manufacturers will supply our grain-growing States with cloths at a trifling profit so long as they encounter American rivalry; and I say it is perfectly obvious that, if it cost three dollars and a quarter a yard to make a fair broadcloth in or near Illinois, in the infancy of our arts, and a like article could be made in Europe for three dollars, then the utter destruction of the American manufacture is inevitable. The foreign drives it out of the market and its maker into bankruptcy; and now our farmers, in purchasing their cloths, "buy where they can buy cheapest," which is the first commandment of free trade, and get their cloth of England at three dollars a yard. I maintain that this would not last a year after the American factories had been silenced — that then the British operator would begin to think of *profits* as well as bare cost for his cloth, and to adjust his prices so as to recover what it

had cost him to put down the dangerous competition. But let this pass for the present, and say the foreign cloth is sold to Illinois for three dollars per yard. We have yet to ascertain how much she has gained or lost by the operation.

This, says free trade, is very plain and easy. The four simple rules of arithmetic suffice to measure it. She has bought, say a million yards of foreign cloth for three dollars, where she formerly paid three and a quarter for American; making a clear saving of a quarter of a million dollars.

But not so fast — we have omitted one important element of the calculation. We have yet to see what effect the purchase of her cloth in Europe, as contrasted with its manufacture at home, will have on the price of her agricultural staples. We have seen already that, in case she is forced to sell a portion of her surplus product in Europe, the price of that surplus must be the price which can be procured for it in England, *less* the cost of carrying it there. In other words: the average price in England being one dollar and ten cents, and the average cost of bringing it to New York being at least fifty cents, and then of transporting it to England at least twenty-five more, the net proceeds to Illinois cannot exceed thirty-five cents per bushel. I need not more than state so obvious a truth as that the price at which the surplus can be sold governs the price of the whole crop; nor, indeed, if it were possible to deny this, would it at all affect the argument. The real question to be determined is, not whether the American or the British manufacturers will furnish the most cloth for the least *cash*, but which will supply the requisite quantity of cloth for the least *grain in Illinois*. Now we have seen already that the price of grain at any point where it is readily and largely produced, is governed by its nearness to or remoteness from the market to which its surplus tends, and the least favorable

market in which any portion of it must be sold. For instance: If Illinois produces a surplus of five million bushels of grain, and can sell one million of bushels in New York, and two millions in New England, and another million in the West Indies, and for the fifth million is compelled to seek a market in England, and that, being the remotest point at which she sells, and the point most exposed to disadvantageous competition, is naturally the poorest market, that farthest and lowest market to which she sends her surplus will govern, to a great extent if not absolutely, the price she receives for the whole surplus. But, on the other hand, let her cloths, her wares, be manufactured in her midst or on the junctions and waterfalls in her vicinity, thus affording an immediate market for her grain, and now the average price of it rises, by an irresistible law, nearly or quite to the average of the world. Assuming that average to be one dollar, the price in Illinois, making allowance for the fertility and cheapness of her soil, could not fall below an average of seventy-five cents. Indeed the experience of the periods when her consumption of grain has been equal to her production, as well as that of other sections where the same has been the case, proves conclusively that the average price of her wheat would exceed that sum.

We are now ready to calculate the profit and loss. Illinois, under free trade, with her "work-shops in Europe." will buy her cloth twenty-five cents per yard cheaper, and thus make a nominal saving of two hundred and fifty thousand dollars in her year's supply; but, she thereby compels herself to pay for it in wheat at thirty-five instead of seventy-five cents per bushel, or to give over *nine* and one-third bushels of wheat for every yard under free trade, instead of *four* and a third under a system of home production. In other words, while she is making a quarter of a million of dollars by buying her cloth "where she can buy cheapest," she is losing nearly two millions of dollars on

the net product of her grain. The striking of a balance between her profit and her loss is certainly not a difficult, but rather an unpromising, operation.

Or, let us state the result in another form: She can buy her cloth a little cheaper in England, — labor being there lower, machinery more perfect, and capital more abundant; but, in order to pay for it, she must not merely sell her own products at a correspondingly low price, but enough lower to overcome the cost of transporting them from Illinois to England. She will give the cloth-maker in England less grain for her cloth than she would give to the man who made it on her own soil; but for every bushel she sends him in payment for his fabric, she must give two to the wagoner, boatman, shipper, and factor who transport it thither. On the whole product of her industry, two-thirds is tolled out by carriers and bored out by inspectors, until but a beggarly remnant is left to satisfy the fabricator of her goods.

And here I trust I have made obvious to you the law which dooms an agricultural country to inevitable and ruinous disadvantage in exchanging its staples for manufactures, and involves in it perpetual and increasing debt and dependence. The *fact*, I early alluded to; is not the *reason* now apparent? It is not that agricultural communities are more extravagant or less industrious than those in which manufactures or commerce preponderate, — it is because there is an inevitable disadvantage to agriculture in the very nature of all distant exchanges. Its products are far more perishable than any other; they cannot so well await a future demand; but in their excessive bulk and density is the great evil. We have seen that, while the English manufacturer can send his fabrics to Illinois for less than five per cent. on their first cost, the Illinois farmer must pay two hundred per cent. on his grain for its transportation to English consumers. In other words: the English manufacturer need only produce his goods five per

cent. below the American to drive the latter out of the Illinois market, the Illinoisian must produce wheat for *one-third* of its English price in order to compete with the English and Polish grain-grower in Birmingham and Sheffield.

And here is the answer to that scintillation of free trade wisdom which flashes out in wonder that *manufactures* are eternally and especially in want of protection, while agriculture and commerce need none. The assumption is false in any sense,—our commerce and navigation cannot live without protection,—never did live so,—but let that pass. It is the interest of the whole country which demands that that portion of its industry which is *most exposed* to ruinous foreign rivalry should be cherished and sustained. The wheat-grower, the grazier, is protected by ocean and land; by the fact that no foreign article can be introduced to rival his except at a cost for transportation of some thirty to one hundred per cent. on its value; while our manufactures can be inundated by foreign competition at a cost of some two to ten per cent. It is the grain-grower, the cattle-raiser, who is protected by a duty on foreign manufactures, quite as much as the spinner or shoemaker. He who talks of manufactures being protected and nothing else, might just as sensibly complain that we fortify Boston and New York and not Pittsburg and Cincinnati.

I proceed now to set forth my

Proposition IV. *That equilibrium between Agriculture, Manufactures, and Commerce, which we need, can only be maintained by means of Protective Duties.*

You will have seen that the object we seek is not to make our country a manufacturer for other nations, but for herself,—not to make her the baker and brewer and tailor of other people, but of her own household. If I understand at all the first rudiments of national economy, it is best for each

and all nations that each should mainly fabricate for itself, freely purchasing of others all such staples as its own soil or climate proves ungenial to.) We appreciate quite as well as our opponents the impolicy of attempting to grow coffee in Greenland or glaciers in Malabar,—to extract blood from a turnip or sunbeams from cucumbers. A vast deal of wit has been expended on our stupidity by our acuter adversaries, but it has been quite thrown away, except as it has excited the hollow laughter of the ignorant as well as thoughtless. All this, however sharply pushed, falls wide of our true position. To all the fine words we hear about "the impossibility of counteracting the laws of nature," "trade regulating itself," etc, etc., we bow with due deference, and wait for the sage to resume his argument. What we *do* affirm is this, *that it is best for every nation to make at home all those articles of its own consumption that can just as well—that is, with nearly or quite as little labor—be made there as anywhere else.* We say it is not wise, it is not well, to send to France for boots, to Germany for hose, to England for knives and forks, and so on; because the real cost of them would be less,—even though the nominal price should be slightly more,—if we made them in our own country; while the facility of paying for them would be much greater. We do not object to the occasional importation of choice articles to operate as specimens and incentives to our own artisans to improve the quality and finish of their workmanship,—where the home competition does not avail to bring the process to its perfection, as it often will. In such cases, the rich and luxurious will usually be the buyers of these choice articles, and can afford to pay a good duty. There are gentlemen of extra polish in our cities and villages who think no coat good enough for them which is not woven in an English loom,—no boot adequately transparent which has not been fashioned by a Parisian master. I quarrel not with their taste: I only say that, since the Government *must*

have revenue and the American artisan *should* have protection, I am glad it is so fixed that these gentlemen shall contribute handsomely to the former, and gratify their aspirations with the least possible detriment to the latter. It does not invalidate the fact nor the efficiency of protection that foreign competition with American workmanship is not entirely shut out. It is the *general* result which is important, and not the exception. Now, he who can seriously contend, as some have seemed to do, that protective duties do not aid and extend the domestic production of the articles so protected might as well undertake to argue the sun out of the heavens at mid-day. All experience, all common sense, condemn him. Do we not know that our manufactures first shot up under the stringent protection of the embargo and war? that they withered and crumbled under the comparative free trade of the few succeeding years? that they were revived and extended by the tariffs of 1824 and '28? Do we not know that Germany, crippled by British policy, which inundated her with goods yet excluded her grain and timber, was driven, years since, to the establishment of her "Zoll-Verein" or Tariff Union,—a measure of careful and stringent protection, under which manufactures have grown up and flourished through all her many States? She has adhered steadily, firmly, to her protective policy, while we have faltered and oscillated; and what is the result? She has created and established her manufactures; and in doing so has vastly increased her wealth and augmented the reward of her industry. Her public sentiment, as expressed through its thousand channels, is almost unanimous in favor of the protective policy; and now, when England, finding at length that her cupidity has overreached itself,—that she cannot supply the Germans with clothes refuse to buy their bread, talks of relaxing her corn laws in order to coax back her ancient and profitable customer, the answer is, "No; it is now too late. We have built up home manufactures in

repelling your rapacity,—we cannot destroy them at your caprice. What guarantee have we that, should we accede to your terms, you would not return again to your policy of taking all and giving none so soon as our factories had crumbled into ruin? Besides, we have found that we can make cheaper—really cheaper—than we were able to buy, —can pay better wages to our laborers, and secure a better and steadier market for our products. We are content to abide in the position to which you have driven us. Pass on!"

But this is not the sentiment of Germany alone. All Europe acts on the principle of self-protection; because all Europe sees its benefits. The British journals complain that, though they have made a show of relaxation in their own tariff, and their Premier has made a free trade speech in Parliament, the chaff has caught no birds; *but six hostile tariffs*—all protective in their character, and all aimed at the supremacy of British manufactures—were enacted within the year 1842. And thus, while schoolmen plausibly talk of the adoption and spread of free-trade principles, and their rapid advances to speedy ascendency, the practical man knows that the truth is otherwise, and that many years must elapse before the great Colossus of manufacturing monopoly will find another Portugal to drain off her life-blood under the delusive pretense of a commercial reciprocity. And, while Britain continues to pour forth her specious treatises on political economy, proving protection a mistake and an impossibility through her Parliamentary reports and speeches in praise of free trade, the shrewd statesmen of other nations humor the joke with all possible gravity, and pass it on to the next neighbor; yet all the time take care of their own interests, just as though Adam Smith had never speculated nor Peel soberly expatiated on the blessings of free trade, looking round occasionally with a curious interest to see whether anybody was really taken in by it.

I have partly anticipated, yet I will state distinctly, my

PROPOSITION V. *Protection is necessary and proper to sustain as well as to create a beneficent adjustment of our national industry.*

"Why can't our manufacturers go alone?" petulantly asks a free-trader; "they have had protection long enough. They ought not to need it any more." To this I answer that, if manufactures were protected as a matter of special bounty or favor to the manufacturers, a single day were too long. I would not consent that they should be sustained one day longer than the interests of the *whole* country required. I think you have already seen that, not for the sake of manufacturers, but for the sake of all productive labor, should protection be afforded. If I have been intelligible, you will have seen that the purpose and essence of protection is LABOR-SAVING,—the making two blades of grass grow instead of one. This it does by "planting the manufacturer as nearly as may be by the side of the farmer," as Mr. Jefferson expressed it, and thereby securing to the latter a market for which he had looked to Europe in vain. Now, the market of the latter is certain as the recurrence of appetite; but that is not all.

But why is a tariff necessary after manufactures are once established? "You say," says a free-trader, "that you can manufacture cheaper if protected than we can buy abroad; then why not do it *without* protection, and save all trouble?" Let me answer this cavil:—

I will suppose that the manufactures of this country amount in value to one hundred millions of dollars per annum, and those of Great Britain to three hundred millions. Let us suppose also that, under an efficient protective tariff, ours are produced five per cent. cheaper than those of England, and that our own markets are supplied entirely from the home product. But at the end of this year, 1843, we,—concluding that our manufactures have been protected long enough and ought now to go alone,—repeal absolutely our

tariff, and commit our great interests thoroughly to the guidance of "free trade." Well; at this very time the British manufacturers, on making up the account and review of their year's business, find that they have manufactured goods costing them three hundred millions, as aforesaid, and have sold to just about that amount, leaving a residue or surplus on hand of fifteen or twenty millions' worth. These are to be sold; and their net proceeds will constitute the interest on their capital and the profit on their year's business. But *where* shall they be sold? If crowded on the home or their established foreign markets, they will glut and depress those markets, causing a general decline of prices and a heavy loss, not merely on this quantity of goods, but on the whole of their next year's business. They know better than to do any such thing. Instead of it, they say, "Here is the American market just thrown open to us by a repeal of their tariff; let us send thither our surplus, and sell it for what it will fetch." They ship it over accordingly, and in two or three weeks it is rattling off through our auction stores, at prices first five, then ten, fifteen, twenty, and down to thirty per cent. below our previous rates. Every jobber and dealer is tickled with the idea of buying goods of novel patterns so wonderfully cheap; and the sale proceeds briskly, though, at constantly declining prices, till the whole stock is disposed of and our market is gorged to repletion.

Now, the British manufacturers may not have received for the whole twenty millions' worth of goods over fourteen or fifteen millions, but what of it? Whatever it may be is clear profit on their year's business in cash or its full equivalent. All their established markets are kept clear and eager; and they can now go on vigorously and profitably with the business of the new year. But more; they have crippled an active and growing rival; they have opened a new market, which shall ere long be theirs also.

Let us now look at our side of the question:—

The American manufacturers have also a stock of goods on hand, and they come into our market to dispose of them. But they suddenly find that market forestalled and depressed by rival fabrics of attractive novelty, and selling in profusion at prices which rapidly run down to twenty-five per cent. below cost. What are they to do? They cannot force sales at any price not utterly ruinous; there is no demand at any rate. They cannot retaliate upon England the mischief they must suffer,—her tariff forbids; and the other markets of the world are fully supplied, and will bear but a limited pressure. The foreign influx has created a scarcity of money as well as a plethora of goods. Specie has largely been exported in payment, which has compelled the banks to contract and deny loans. Still, their obligations must be met; if *they* cannot make sales, *the sheriff* will, and must. It is not merely their surplus, but their whole product, which has been depreciated and made unavailable at a blow. The end is easily foreseen; our manufacturers become bankrupt and are broken up; their works are brought to a dead stand; the laborers therein, after spending months in constrained idleness, are driven by famine into the Western wilderness, or into less productive and less congenial vocations; their acquired skill and dexterity, as well as a portion of their time, are a dead loss to themselves and the community; and we commence the slow and toilsome process of rebuilding and rearranging our industry on the one-sided or agricultural basis. Such is the process which we have undergone twice already. How many repetitions shall satisfy us?

Now, will any man gravely argue that we have *made* five or six millions by this cheap purchase of British goods,—by "buying where we could buy cheapest?" Will he not see that, though the *price* was low, the *cost* is very great? But the apparent saving is doubly deceptive; for the British

manufacturers, having utterly crushed their American rivals by one or two operations of this kind, soon find here a market, not for a beggarly surplus of fifteen or twenty millions, but they have now a demand for the amount of our whole consumption, which, making allowance for our diminished ability to pay, would probably still reach fifty millions per annum. This increased demand would soon produce activity and buoyancy in the general market; and now the foreign manufacturers would say in their consultations, "We have sold some millions' worth of goods to America for less than cost, in order to obtain control of that market; now we have it, and must retrieve our losses,"—and they *would* retrieve them, with interest. They would have a perfect right to do so. I hope no man has understood me as implying any infringement of the dictates of honesty on their part, still less of the laws of trade. They have a perfect right to sell goods in our markets on such terms as we prescribe and they can afford; it is *we*, who set up our own vital interests to be bowled down by their rivalry, who are alone to be blamed.

Who does not see that this sending out our great industrial interests unarmed and unshielded to battle against the mail-clad legions opposed to them in the arena of trade is to insure their destruction? It were just as wise to say that, because our people are brave, therefore they shall repel any invader without fire-arms, as to say that the restrictions of other nations ought not to be opposed by us because our artisans are skillful and our manufactures have made great advances. The very fact that our manufactures are greatly extended and improved is the strong reason why they should not be exposed to destruction. If they were of no amount or value, their loss would be less disastrous; but now the five or six millions we should make on the cheaper importation of goods would cost us one hundred millions in the destruction of manufacturing property alone.

Yet this is but an item of our damage. The manufacturing classes feel the first effect of the blow, but it would paralyze every muscle of society. One hundred thousand artisans and laborers, discharged from our ruined factories, after being some time out of employment, at a waste of millions of the national wealth, are at last driven by famine to engage in other avocations,—of course with inferior skill and at an inferior price. The farmer, gardener, grocer, lose them as customers to meet them as rivals. They crowd the labor-markets of those branches of industry which we are still permitted to pursue, just at the time when the demand for their products has fallen off, and the price is rapidly declining. The result is just what we have seen in a former instance: all that any man may make by buying foreign goods cheap, he loses ten times over by the decline of his own property, product, or labor, while to nine-tenths of the whole people the result is unmixed calamity. The disastrous consequences to a nation of the mere derangement and paralysis of its industry which must follow the breaking down of any of its great producing interests have never yet been sufficiently estimated. Free trade, indeed, assures us that every person thrown out of employment in one place or capacity has only to choose another; but almost every workingman knows from experience that such is not the fact,—that the loss of situation through the failure of his business is often a sore calamity. I know a worthy citizen who spent six years in learning the trade of a hatter, which he had just perfected in 1798, when an immense importation of foreign hats utterly paralyzed the manufacture in this country. He traveled and sought for months, but could find no employment at any price, and at last gave up the pursuit, found work in some other capacity, and has never made a hat since. He lives yet, and now comfortably, for he is industrious and frugal; but the six years he gave to learn his trade were utterly lost to him,—lost for the want of adequate and steady protection

to home industry. I insist that the government has failed of discharging its proper and rightful duty to that citizen and to thousands and tens of thousands who have suffered from like causes. I insist that, if the government had permitted without complaint a foreign force to land on our shores and plunder that man's house of the savings of six years of faithful industry, the neglect of duty would not have been more flagrant. And I firmly believe that the people of this country are one thousand millions of dollars poorer at this moment than they would have been had their entire productive industry been constantly protected, on the principles I have laid down, from the formation of the government till now. The steadiness of employment and of recompense thus secured, the comparative absence of constrained idleness, and the more efficient application of the labor actually performed, would have vastly increased the product,—would have improved and beautified the whole face of the country; and the moral and intellectual advantages thence accruing would alone have been inestimable. A season of suspension of labor in a community is usually one of aggravated dissipation, drunkenness, and crime.

But let me more clearly illustrate the effect of foreign competition in raising prices to the consumer. To do this I will take my own calling for an example, because I understand that best; though any of you can apply the principle to that with which he may be better acquainted. I am a publisher of newspapers, and suppose I afford them at a cheap rate. But the ability to maintain that cheapness is based on the fact that I can certainly sell a large edition daily; so that no part of that edition shall remain a dead loss on my hands. Now, if there were an active and formidable foreign competition in newspapers—if the edition which I printed during the night were frequently rendered unsalable by the arrival of a foreign ship freighted with newspapers early in the morning,—the present rates could not be con-

tinued: the price must be increased or the quality would decline. I presume this holds equally good of the production of calicoes, glass, and penknives, as of newspapers, though it may be somewhat modified by the nature of the article to which it is applied. That it does hold true of sheetings, nails, and thousands of articles, is abundantly notorious.

I have not burdened you with statistics,—you know they are the reliance, the stronghold, of the cause of protection. and that we can produce them by acres. My aim has been to exhibit not mere collections of facts, however pertinent and forcible, but the *laws* on which those facts are based,—not the immediate manifestation, but the ever-living necessity from which it springs. The contemplation of these laws assures me that those articles which are supplied to us by home production alone are relatively cheaper than those which are rivaled and competed with from abroad. And I am equally confident that the shutting out of foreign competition from our markets for other articles of general necessity and liberal consumption which can be made here with as little labor as anywhere, would be followed by a corresponding result,—a reduction of the price to the consumer at the same time with increased employment and reward to our producing classes.

But, Mr. President, were this only on one side true,—were it certain that the price of the home product would be permanently higher than that of the foreign, I should still insist on efficient protection, and for reasons I have sufficiently shown. Grant that a British cloth costs $3 per yard, and a corresponding American fabric $4, I still hold that the latter would be decidedly the cheaper for us. The fuel, timber, fruits, vegetables, etc., which make up so large a share of the cost of the home product, would be rendered comparatively valueless by having our work-shops in Europe. I look not so much to the nominal price as to the comparative facility of payment. And, where cheapness is only to be attained by

a depression of the wages of labor to the neighborhood of the European standard, I prefer that it should be dispensed with. One thing must answer to another; and I hold that the farmers of this country can better afford, as a matter of pecuniary advantage, to pay a good price for manufactured articles than to obtain them lower through the depression and inadequacy of the wages of the artisan and laborer.

But even this is not the worst feature of the case. The labor which we have here thrown out of employment by the cheap importation of this article is now ready to be employed again at any price,— if not one that will afford bread and straw, then it must accept one that will produce potatoes and rubbish; and with the product some free-trader proceeds to break down the price and destroy the reward of similar labor in some other portion of the earth. And thus each depression of wages produces another, and that a third, and so on, making the circuit of the globe,—the aggravated necessities of the poor acting and reacting upon each other, increasing the omnipotence of capital and deepening the dependence of labor, swelling and pampering a bloated and factitious commerce, grinding down and grinding down the destitute, until Malthus's remedy for poverty shall become a grateful specific, and amid the splendors and luxuries of an all-devouring commercial feudalism, the squalid and famished millions, its dependants and victims, shall welcome death as a deliverer from their sufferings and despair.

I wish time permitted me to give a hasty glance over the doctrines and teachings of the free-trade sophists, who esteem themselves *the* political economists, christen their own views liberal and enlightened, and complacently put ours aside as benighted and barbarous. I should delight to show you how they mingle subtle fallacy with obvious truth, how they reason acutely from assumed premises, which, being mistaken or incomplete, lead to false and often absurd conclusions,—how they contradict and confound each other, and

often, from Adam Smith, their patriarch, down to McCulloch and Ricardo, either make admissions which undermine their whole fabric, or confess themselves ignorant or in the dark on points the most vital to a correct understanding of the great subject they profess to have reduced to a science. Yet even Adam Smith himself expressly approves and justifies the British navigation act, the most aggressively protective measure ever enacted,—a measure which, not being understood and seasonably counteracted by other nations, changed for centuries the destinies of the world,—which silently sapped and overthrew the commercial and political greatness of Holland,—which silenced the thunder of Van Tromp, and swept the broom from his mast-head. But I must not detain you longer. I do not ask you to judge of this matter by authority, but from facts which come home to your reason and your daily experience. There is not an observing and strong-minded mechanic in our city who could not set any one of these doctors of the law right on essential points. I beg you to consider how few great practical statesmen they have ever been able to win to their standard, — I might almost say none; for Huskisson was but a nominal disciple, and expressly contravened their whole system upon an attempt to apply it to the corn laws; and Calhoun is but a free trader by location, and has never yet answered his own powerful arguments in behalf of protection. On the other hand, we point you to the long array of mighty names which have illustrated the annals of statesmanship of modern times, — to Chatham, William Pitt, and the Great Frederick of Prussia; to the whole array of memorable French statesmen, including Napoleon the first of them all; to our own Washington, Hamilton, Jefferson, and Madison; to our two Clintons, Tompkins, to say nothing of the eagle-eyed and genial-hearted living masterspirit [Henry Clay] of our time. The opinions and the arguments of all these are on record; it is by hearkening to and heeding their counsels that

we shall be prepared to walk in the light of experience and look forward to a glorious national destiny. My friends! I dare not detain you longer. I commit to you the cause of the Nation's independence, of her stability and her prosperity. Guard it wisely and shield it well; for it involves your own happiness and the enduring welfare of your countrymen!

CHAPTER VII.

PROTECTING DUTIES.*

By Francis Wayland, D.D., LL.D.,
President of Brown University.

ON THE EFFECTS OF DIRECT LEGISLATION AS A MEANS OF INCREASING PRODUCTION.

I HAVE thus far said nothing upon the effect of legislative enactments, by means of bounties and protecting duties, as a means of increasing production. The reason is, that I have not yet been able to discover in what manner they produce this effect. Nevertheless, since many persons suppose them to be of great importance, it might seem that a discussion of this subject was incomplete, if they were passed over in silence. I shall devote this section to a consideration of their effects.

1. Duties of this sort are to be considered apart from those levied for the support of government, because they are either not necessary for this purpose, or else they are levied for a different object. Thus, if five per cent. on an import be necessary to the support of government, and ten per cent. be levied, in order to favor, or, as it is said, to protect one branch of industry, the additional five per cent. is levied for a distinct object, aside from that of the support of government. It is only this latter part of the duty which we propose to consider; that is, so much of the duty

* Elements of Political Economy, 1441.

as is levied for the purpose of favoring one particular product.

2. Now, if such a duty have any effect upon the productiveness of a nation, it must be in one of these ways. It must either first increase the capital of a country, or, secondly, increase its number of laborers; or, third, create a greater stimulus to labor. I think it evident, from what has already been shown, that every condition which affects production, must exert its influence in one of these three methods.

3. I think it evident that legislation of this sort cannot increase the capital of a country. The capital of a country, at any moment, is its present amount of annual and fixed capital. Now, a law cannot create capital; since, if it could, there would be no necessity for any other labor than that of legislation; and, in order to grow rich, a nation would have nothing to do but meet in public assembly, and spend its whole time in making and hearing speeches, and enacting laws. I believe, however, that this mode of growing rich, has never been found remarkably successful.

If it be said that, in this manner, we shall attract foreign capital to our own county, I answer, this depends not upon legislation, but upon the rate of interest, and the security of property. If these conditions be more favorable here than in another country, capital will flow hither. If they be more favorable in another country than here, it will flow thither. The system of Great Britain has been exclusive, but capital does not go from this country to be invested there.

4. Legislation of this kind cannot increase the actual number of laborers. The number of laborers is as the number of inhabitants. Legislation has never been supposed to have any power to create men. It is true, population is found always to increase with the increase of means of living; that is, with the increase of the productiveness of

labor. Population will increase or diminish, just in proportion as a laborer is able to procure greater or less wages for a day's labor; that is, as everything is cheaper or dearer. Whether the tendency of duties is to render productions cheap, remains to be considered. It must, however, be evident to all, that laws do not create human beings; of course, they add nothing to the number of laborers; that is, of human beings in a country.

It may be said, we may thus induce laborers to come from other countries. To this it may be answered, this will depend upon the wages of labor. If laborers be better paid here than elsewhere, they will come here, and not otherwise. Besides, what is called protection changes only the mode of labor; that is, it takes men from one mode of labor, to employ them upon another. Suppose, then, that it attracts foreign laborers to one branch of industry, it deters those in another branch of industry from immigrating. If, for instance, manufacturers are protected, this will tend to encourage manufacturers to immigrate; but it will, in a correspondent proportion, discourage agriculturists.

5. If, then, discriminating duties produce any effect upon production, it must be by stimulating industry; that is, while the amount of capital and the number of laborers remain the same, by stimulating men to labor more industriously, and thus to create a greater amount of production than they would under other circumstances. This, I believe, is supposed to be the way in which the system produces its effect. This is the point of view in which we shall now proceed to consider it.

The manner in which this is done, is the following: Suppose a country to be under a free system, and that every one is devoting himself to agriculture, commerce, or manufactures, as he finds it the most for his interest; under these circumstances, there will be a certain average of productiveness, both of labor and of capital. Woolen cloth can be

procured, by exchange, for five dollars a yard; but it cannot, in the present state of the country, be manufactured for less than ten dollars a yard; that is, capital and labor are, in everything else, so productive, that they could not be abstracted from other employments at the same rate of profit, unless the manufacturer could receive ten dollars a yard for his cloth. Now suppose, that, in order to enable him to do this, a duty of five dollars a yard is levied on imported cloth, by which the price of all cloth is raised to ten dollars a yard, that it may be in the power of the manufacturer, to employ his capital and labor in this manner. There is no doubt that thus the manufacture of cloth might be established.

Now I think it is evident, upon inspection, that the productiveness of labor is not, by this operation, increased. The reason why cloth was not manufactured before, was, that the productiveness of labor and capital, in this mode of investment, was lower than the average productiveness of labor and capital in other modes of investment. All that has been effected is, to raise the productiveness here to the general average elsewhere. There has been nothing done to render it any greater, either in this or in any other employment; for I presume that no one will contend, that one kind of industry should be really more highly paid than another; nor that, if it were desired, it could be effected without the aid of a direct monopoly.

But the mannfacturer now gets ten dollars for that which before would bring only five. Let us inquire whence this additional five dollars comes.

It is evident that government possesses nothing. All that it possesses is precisely so much taken from the annual revenue of individuals. In this case, therefore, it really bestows nothing, but only causes a transfer of annual revenues, from one party to another. The case is, therefore, the same as it would be if, while there had been no duty

imposed, every man had been allowed to buy cloth for five dollars a yard, but had been obliged, for every yard that he bought, to pay five dollars to the manufacturer. It would be the same thing to both parties as at present. The consumer would then, as now, pay ten dollars a yard for cloth, and the manufacturer might sell it for five, if he received five more as a gratuity. The five dollars that have been added to the revenue of the one, are precisely five dollars taken from the revenue of the other.

Now, if this be the fact, inasmuch as what is added to the productiveness of the industry of the one class, is taken from the productiveness of the industry of the other class, it would seem that what the one has gained, the other has lost; and hence, that there can be no increased stimulus to industry on the whole, since, by as much as the one is stimulated, the other is depressed. But this is not all. What you have given to the one class has only raised his mode of labor to the point of productiveness at which that of all the other classes existed before; while the means by which this has been effected, has, to the whole amount of its effect, reduced the productiveness of all the other classes lower than it was before. By just as much as this productiveness has been diminished, by so much has the stimulus to industry been, upon the whole, decreased.

But secondly; As the price of the article is increased, the demand for the article is diminished. This has been before illustrated. There will, therefore, be less of the article produced, because less of it is wanted. By all this diminution is the demand for labor diminished; the price of labor must, therefore, fall, and the stimulus to labor be, by so much, decreased.

This effect will take place, in what manner soever the discriminating duty may operate. Suppose, that from scarcity of wool, the price of imported cloth had, without any duty, been doubled. The result would have been, that the demand

would so have fallen off, that multitudes would have been thrown out of employment, and whole establishments would have been ruined. Suppose that, by a duty, we exclude the foreign cloth, and make it ourselves, but at double the price. There will be a less quantity made than before. But the imported cloth was not to be had for nothing. Some of our own population were obliged to raise the products which we sent in exchange for it. As we do not take their cloth, they cannot take our produce. Of course, all those who labored in the products which were exchanged for cloth, are out of employment. There was a demand for a sufficient amount of their labor to purchase one thousand bales of cloth; suppose, now, there is a demand for labor sufficient to make only five hundred bales of cloth. By all the difference, therefore, between the labor necessary to procure one thousand bales by exchange, and that necessary to manufacture, or procure by exchange, five hundred bales, is the demand for industry diminished, and, of course, the stimulus to industry weakened.

We see, then, what is the tendency of a system of this kind. First, so far as the manufacturer is concerned, it cannot increase his profit beyond the average profits of every other employment; for, if competition be allowed, capital and labor will flow into it, whatever may be its advantages, until its profits fall to the general level. Secondly, the demand for other labor is diminished, by the reduced consumption created by a rise of price, and also, as this rise of price increases the expenses of living, it makes even these reduced wages of less value than they were before. Hence the tendency is, to reduce the profit of capital and of labor in the whole community lower than they were before such duty was imposed. To this reduced average, manufacturers must themselves conform; and hence, by this very operation, they themselves must suffer. Hence we see the reason why, when once a duty is imposed for the protection of a

particular branch of manufactures, it is not long before a larger protective duty is demanded; and also why a protective duty, which at first is followed by great manufacturing enterprise and success, is so commonly afterwards followed by so universal a depression of manufacturing industry.

This is the result, so far as the effect upon our own country is concerned. But this is not all. A rise of prices must, of necessity, follow a protecting duty; for this is its very object. Its object is, to raise the price of some particular product, so that it may be created where it could not be created before. If it produce no rise of prices it is useless. Now, a rise of prices raises the cost of production, and, by its whole effect, must raise the price of every product which we create. By this whole effect, therefore, is our foreign market injured. If we can raise cotton at ten cents a pound, and bring it into market as cheap as other nations, we have as good an opportunity as they for selling it. If we can raise it at nine cents, we can undersell them, and supply the whole market; or, if we sell it at the same price as before, we gain one cent more on the pound. If, by increase of the expenses of living, we cannot raise it for less than eleven cents a pound, they will undersell us, and we shall be obliged to give up the raising of cotton, either partially or altogether; and the industry engaged in raising and transporting the cotton, and what we receive in exchange for it, must be either partially or wholly thrown out of employment. Every one must see, that the manufactures of England could be afforded much lower: that is, would be able much better to compete with those of other nations, if, by abolishing her duties on corn, her manufactures could be supplied with the necessaries of life at half the present cost. At the same profit to the laborer and capitalist, her products could be afforded at a price less than at present, by the whole amount of the difference in the expenses of living. By this differ-

ence, she would both undersell other nations and increase the demand for her manufactures, thus reaping at once a double advantage.

But once more: It is seen that, by such a system, the course of industry and of capital in a nation, must be greatly changed. Thus, when an article is imported, one class of producers must labor to create the article which we exchange for it; another class must build ships to transport it; and another class must carry on the transportation. By a discriminating duty, all these classes must, either in whole or in part, be thrown out of employment, and this capital be either reduced in value, or rendered wholly useless. Now this is an injury, both to the capitalist and the laborer. The property of the one and the skill of the other are rendered useless, and by so much is it a total loss to the country. It may be said, let them seek other employments. True; they must do this; but this renders it not the less true, that there has been so much loss. If a man's house be burned down, it is easy to say to him, move into another house; but this does not alter the fact, that his house has been burned down, and that he has suffered loss to precisely this amount.

But, suppose he turn to the other employment. It has been shown that the average of profit, in this employment, cannot be higher than the average of profit was, in the employment which he left. He is then no better off than he was before, and, in the meantime, he has lost the skill and capital which he spent many years to acquire; and he has lost them, not as in the case mentioned, by the progress of civilization, and with the prospect of bettering his condition, but by an act of arbitrary legislation. By all this amount of depreciation, therefore, is he, and of course the whole country, poorer by the exchange.

Of Bounties. The principle of bounties is the same as that of discriminating duties. The manner in which they are bestowed, is the following: If a manufacturer cannot

produce cloth for less than ten dollars a yard, and the imported cloth can be produced at five dollars, a bounty of five dollars a yard is given him, for every yard he manufactures, or for every yard he exports. The cloth, then, is sold, either at home or abroad, at five dollars, and he also receives five dollars as a gratuity.

The principal reasons urged above, apply to bounties. They are, however, less objectionable for several reasons:

1. The price of the article is not visibly raised, and the consumption, therefore, on this account is not so much diminished.

2. The encouragement given, in this manner, is cheaper; that is, we pay only for what is made, while by discriminating duties we pay the same whether any thing be made or not. We pay a very heavy duty on cutlery in this country, while not a thousandth part of the cutlery used is made here. It would be vastly cheaper to pay a bounty sufficient to raise all the cutlery made in this country to its present prices, and it would be, for aught I see, just as good for the cutler. The whole effect of this mode of encouragement is, to pay one man as much more as the bounty amounts to, for producing an article, than we should pay another man: that is, one man will do it for five dollars, and we engage another to do it for five dollars, and give him five dollars besides, for the sake of economy.

CHAPTER VIII.

FAILURE OF REVENUE TARIFF AND OTHER SUBJECTS.

By Henry C. Carey.

A letter addressed to President Grant.

DEAR SIR:—An eminent foreigner, speaking of our countrymen, characterized them as "the people who soonest forget yesterday," and that nothing could be more accurate is shown by the facts which I propose now to give, as follows:—

The revenue tariff period which followed the close, in 1815, of the great European war, was one of great distress both private and public. Severe financial crises bankrupted banks, merchants, and manufacturers; greatly contracted the market for labor and all its products; so far diminished the money value of property as to place the debtor everywhere in the power of his creditor; caused the transfer of a very large portion of it under the sheriff's hammer; and so far impaired the power of the people to contribute to the revenue that, trivial as were the public expenditures of that period, loans were required for enabling the Treasury to meet the demands upon it. Under the protective tariff of 1828 all was changed, and with a rapidity so great that but few years of its action were required for bringing the country up to a state of prosperity the like of which had never before been known, here or elsewhere; for annihilating the public debt; and for causing our people wholly to forget

the state of almost ruin from which they so recently had been redeemed.

Returning once again, as a consequence of this forgetfulness, to the revenue tariff system, the troubles and distresses of the previous period were reproduced, the whole eight years of its existence presenting a series of contractions and expansions, ending in a state of weakness so extreme that bankruptcy was almost universal; that labor was everywhere seeking in vain for employment; that the public credit was so entirely destroyed that the closing year of that unfortunate period exhibited the disgraceful fact of commissioners, appointed by the Treasury, wandering throughout Europe and knocking at the door of all its principal banking houses without obtaining the loan of even a single dollar. Public and private distress now compelling a return to the protective system we find almost at once a reproduction of the prosperous days of the period from 1829 to 1835, public and private credit having been restored, and the demand for labor and its products having become greater than at any former period.

Once again, however, do we find our people forgetting that to the protective system had been due the marvelous changes that were then being witnessed, and again returning to that revenue tariff system, to which they had been indebted for the scenes of ruin which had marked the periods from 1817 to 1828, and from 1835 to 1842. California gold now, however, came in aid of free trade theories, and for a brief period our people really believed that protection was a dead issue and could never be again revived. With 1854, however, that delusion passed away, the years that followed, like those of the previous revenue tariff periods, having been marked by enormous expansions and contractions, financial crises, private ruin, and such destruction of the national credit that with the close of Mr. Buchanan's administration we find the Treasury unable to obtain the trivial amount which was then required, except on payment of most enormous rates of interest.

Once again do we find the country driven to protection, and the public credit by its means so well established as to enable the treasury with little difficulty to obtain the means of carrying on a war whose annual cost was more than the total public expenditures of half a century, including the war with Great Britain of 1812. Thrice thus, with the tariffs of 1828, 1842, and 1860, has protection redeemed the country from almost ruin. Thrice thus, under the revenue tariffs of 1817, 1835, and 1846, has it been sunk so low that none could be found "so poor as do it reverence." Such having been our experience through half a century it might have been supposed that the question would be regarded now as settled, yet do we find among us men in office and out of office, secretaries and senators, owners of ships and railroads, farmers and laborers, denouncing the system under which at every period of its existence, and most especially in that of the recent war, they had so largely prospered—thereby proving how accurate has been the description of them above referred to, as "the people who soonest forget yesterday."

Such being the case, it seems to me that it might be well to show what was the actual state of affairs throughout the country in the revenue tariff years immediately preceding the war, and thereby enable railroad owners to study what had been the effect upon their interests that had resulted from the cry of cheap iron; ship owners to see that the decay of their interests had been the necessary result of a system under which internal commerce had been destroyed; laborers to see why it had been that labor had then been so superabundant and so badly paid; farmers to see why it had been that their farms had then been so deeply mortgaged; secretaries to see why it had been that the public credit had then been so nearly annihilated; and all to see why it had been that the pro-slavery power had so largely grown as to have warranted the South in venturing on the late

rebellion. To that end, I shall now present two letters written in 1858, and addressed to our then president, Mr. Buchanan, respectfully asking you to remark the predictions that further continuance in the same direction must result in financial and political ruin, and in our being driven from the ocean, all of which we now see to have been so fully realized.*

"Civilized communities—those communities, Mr. President, which have obtained that freedom of domestic intercourse which, as you have seen, we so sorely need—follow the advice of Adam Smith, in exporting their wool, and their corn, in the form of cloth, at little cost for transportation. Thus, France, in 1856, exported silks and cloths, clothing, paper, and articles of furniture, to the extent of $300,000,000; and yet the total weight was short of FIFTY THOUSAND TONS—requiring for its transport but forty ships of moderate size, and the services of perhaps 2,000 persons.

"Barbarous, and semi-barbarous countries, on the contrary, export their commodities in their rudest state, at heavy cost for transportation. India sends the constituents of cloth—cotton, rice, and indigo—to exchange, in distant markets, for the cloth itself. Brazil sends raw sugar across the ocean, to exchange for that which has been refined. We send wheat and Indian corn, pork and flour, cotton and rice, fish, lumber, and naval stores, to be exchanged for knives and forks, silks and cottons, paper and China-ware. The total value of these commodities exported in 1856—high as were then the prices—was only $230,000,000; and yet, the American and foreign ships engaged in the work of transport were of the capacity of SIX MILLIONS, EIGHT HUNDRED AND TWENTY-TWO THOUSAND TONS,—requiring for their management no less than 269,000 persons.†

* These letters form part of a series entitled "Letters to the President of the United States on the Foreign and Domestic Policy of the Union and its Effects as exhibited in the Condition of the People and the State." Phila., 1858.

† This is the total tonnage that arrived from foreign countries, in that year. A small portion was required for the exportation of manufactured commodities, but it was so small as scarcely to require notice.

"In the movement of all this property, Mr. President, there is great expense for transportation. Who pays it? Ask the farmer of Iowa, and he will tell you, that he sells for 15 cents—and that, too, payable in the most worthless kind of paper—a bushel of corn that, when received in Manchester, commands a dollar; and that he, in this manner, gives to the support of railroads and canals, ships and sailors, brokers and traders, no less than eighty-five per cent. of the intrinsic value of his products. Ask him once again, and he will tell you that while his bushel of corn will command, in Manchester, 18 or 20 yards of cotton cloth, he is obliged to content himself with little more than a single yard—eighty-five per cent. of the clothing power of his corn having been taken, on the road, as his contribution towards the tax imposed upon the country, for the maintenance of the machinery of that 'free trade' which, as you, Mr. President, have so clearly seen, is the sort of freedom we do not, at present, need.*

"The country that exports the commodity of smallest bulk, is almost wholly freed from the exhausting tax of transportation. At Havre—ships being little needed for the outward voyage, while ships abound—the outward freights must be always very low.

"The community that exports the commodities of greatest bulk, must pay nearly all the cost of transportation. A score of ships being required to carry from our ports the lumber, wheat, or naval stores, the tobacco, or the cotton, required to pay for a single cargo of cloth, the outward freights must always be at, or near, that point which is required to pay for the double voyage; and every planter knows, to his cost, how much the price of his cotton is dependent upon the rate of freight.

* "Thirty-one independent States enjoying a thousand advantages and carrying on a mutual free trade with each other. *That* is the 'free trade' that we really want."—BUCHANAN.

"In the first of these, Mr. President, employments become from day to day more thoroughly diversified; the various human faculties become more and more developed; the power of combination tends steadily to increase; agriculture becomes more and more a science; the land becomes more productive; the societary movement becomes more stable and regular; and the power to purchase machinery of every kind, whether ships, mills, or the precious metals, tends steadily to augment.

"In the last, the reverse of this is found, the pursuits of men becoming less diversified; the demand for human faculty becoming more and more limited to that for mere brute force, or for the craft by which the savage is so much distinguished; the power of association tending to decline; agriculture becoming less and less a science, and the land becoming more and more exhausted; the societary movement acquiring, more and more, the fitfulness and irregularity of movement you have so well described as existing among ourselves; and the power to obtain machinery of any kind tending steadily to diminish.

"The first of these, Mr. President, may be found in the countries of Central and Northern Europe—those which follow in the lead of Colbert and of France. All of these are gradually emancipating themselves from the most oppressive of all taxes, the tax of transportation. All of them, therefore, are moving in the direction of growing wealth and power, with correspondent advance in civilization and in freedom.

"The last may be found in Ireland, India, Jamaica, Portugal, Turkey, and these United States—the countries which follow in the lead of England. All of these are becoming more and more subjected to the tax of transportation. All of them, therefore, are declining in wealth and power, in civilization, and in freedom.

"In the first the land yields more and more with each

successive year—with constant increase in the power of a bushel of wheat, or a pound of wool, to purchase money. In the last the land yields less from year to year, with constant tendency to decline in the price of food and cotton. The first import the precious metals. The last export them. The first find daily increase of power to maintain a specie circulation as the basis of the higher and better currency supplied by banks. The last are gradually losing the power to command a circulation of any kind, and tending more and more towards that barbaric system of commerce which consists in exchanging labor against food, or wool and corn against cloth.

"We may be told, however, Mr. President, that in return for the eighty-five per cent. of his products that, as we see, is paid by the farmer of Iowa, and by the Texan planter, we are obtaining a magnificent system of railroads—that our mercantile marine is rapidly increasing—that, by its means, we are to secure the command of the commerce of the world, etc., etc. How far all this is so, we may now inquire. To me it certainly appears that if this be really the road to wealth and power it would be well to require the exportation of wheat instead of flour, paddy in place of rice, cotton in the seed, corn in the ear, and lumber in the shape of logs, rather than in that of furniture.

"Looking first to our internal commerce, we find a mass of roads, most of which have been constructed by help of bonds bearing interest at the rate of 6, 8, or 10 per cent.—bonds that have been disposed of in the market at 60, 70, or 80 per cent. of their nominal value, and could not now, probably, be resold at more than half the price at which they originally had been bought. Half made, and little likely ever to be completed, these roads are worked at great expense, while requiring constant and great repairs. As a consequence of this it is that the original proprietors have almost wholly disappeared, the stock being of little worth.

The total amount applied to the creation of railroads having been about $1,000,000,000, and the average present money value scarcely exceeding 40, if even 30, per cent., it follows that $600,000,000 have been sunk, and with them all power to make new roads. Never, at any period of our history, have we been, in this respect, so utterly helpless as at present. Nevertheless, the policy of the central government looks steadily to the dispersion of our people, to the occupation of new territories, to the creation of new States, and to the production of a necessity for further roads. That, Mr. President, is the road to physical and moral decline, and political death, as will soon be proved, unless we change our course.

"The railroad interest being in a state of utter ruin, we may now turn to the shipping one, with a view to see how far we are likely, by its aid, to obtain that command of the commerce of the world so surely promised to us by the author of the tariff of '46. Should that prove to be moving in the same direction, the fact will certainly afford new and stronger proof of the perfect accuracy of your own views, Mr. President, as to the sort of freedom we so much require.

"In a state of barbarism, person and property being insecure, the rate of insurance is high. Passing thence towards civilization, security increases, and the rate of insurance declines, as we see it to be so rapidly doing, in reference to fire, in all the advancing countries of Europe. Our course, in reference to shipping, being in the opposite direction—security diminishing, when it should increase—the rate of insurance steadily advances, as here is shown :

Rates of Insurance upon American Ships.

	1846.	1858.
To Cuba,	1¼ per cent.	1½ to 2 per cent.
" Liverpool,	1¼ "	1½ to 2 "
" India and China,	1¾ "	2½ "
To and from Liverpool, on packet-ships, annual rates,	5 "	8 "

"To what causes, Mr. President, are we to attribute this extraordinary change? May it not be found in the fact, that

the more we abandon domestic commerce, and the larger the amount of taxation imposed upon our farmers for the maintenance of transporters, the greater becomes the recklessness of those who gain their living out of that taxation? Look back to the last free-trade period—that from 1837 to 1841—and you will find phenomena corresponding precisely with those which are now exhibited, although not so great in magnitude. At present, the utter recklessness—the total absence of conscientious feeling—here exhibited, is such as to astonish the thinking men of Europe. Railroad accidents have become so numerous as scarcely to attract even the momentary attention of the reader, and the loss of life becomes greater from year to year. Steamers are exposed to the storms of the lakes that are scarcely fit to navigate our rivers. Ships that are unfit for carrying insurable merchandise, are employed in the carriage of unfortunate passengers, they being the only commodity for whose safe delivery the ship-owner cannot be made responsible. Week after week the records of our own and foreign courts furnish new evidence of decline in the feeling of responsibility which, thirty years since, characterized the owners of American ships, and the men therein employed.

"Look where we may, Mr. President, on the sea or on the land, evidences of demoralization must meet our view. 'Stores and dwellings'—and here I give the words of a New York journal—'are constructed of such wretched materials as scarcely to be able to sustain their own weight, and with apologies for walls which tumble to the ground, after being exposed to a rain of a few hours' duration, or to a wind which possesses sufficient force to set the dust of the highways in motion. Entire blocks of edifices are put up, with the joists of all so connected with each other, as to form a complete train for the speedy communication of fire from one to another. Joists are built into flues, so that the ends are exposed to becoming first heated, and then ignited by a flying spark. Rows of dwellings and warehouses are

frequently covered with a single roof, which has not, in its whole extent of combustible material, a parapet wall, or other contrivance, to prevent the spread of the flames in the event of a conflagration.'

"The feeling of responsibility, Mr. President, grows with the growth of real civilization. It declines with the growth of that mock civilization, but real barbarism, which has its origin in the growing necessity for ships, wagons, and other machinery of transportation. The policy of the central government tends steadily towards its augmentation, and hence it is that American shipping so steadily declines in character, and in the proportions which it bears to that of the foreigners with whom we are required to place ourselves in competition.

"Two years since, we were told, that our shipping already exceeded 5,000,000 tons; that we had become the great maritime power of the world; and, of course, that this great fact was to be received as evidence of growing wealth and power. Last year, however, exhibited it as standing at only 4,871,000 tons, and future years are likely to show a large decrease—ships having become most unprofitable. More than four-fifths of the products of Western farms and Southwestern plantations, are, as we have seen, taken for the support of railroads and ships; and yet, the roads are bankrupt, while the ships have done little more, for some years past, than ruin the men who owned them. Such being the case, it seems little likely, that it is by means of sailing ships we are to acquire that control of the commerce of the world, so confidently promised when, in 1846, we were led to abandon the policy which looked to the creation of a domestic commerce as the true foundation of a great foreign one. What are the prospects in regard to that higher description of navigation which invokes the aid of steam, will be shown in another letter.

Yours very truly, HENRY C. CAREY."

GEN. U. S. GRANT.

PHILADELPHIA, December 10, 1868.

CHAPTER IX.

THE FALLACIES OF THE PROTECTIVE THEORY.

By Hon. Amasa Walker, LL.D.

Late lecturer in Amherst College.

WE leave now the illustrations of the principles of protection, as exhibited in the manufacture of iron. We believe we have shown the unsoundness of all that political philosophy which proposes to substitute artificial for natural laws, in production. But there still remains some popular arguments, which we will notice.

1. It is claimed as good policy to protect "an infant manufacture" until it is well established, because it will then take care of itself, and ultimately confer great wealth on the country. Of this it may be said :—

(*a*) There is no assurance, under a system which removes the sole test of usefulness and self-support from the production of a people, that enterprises will not spring up which never will come to maturity, which have no vital force of themselves, which exist solely by reason of the protection, and will never become remunerative. If good enterprises, why not bad, since the test of bad or good has been withdrawn? In such a rankness of unnatural growth, it is far more likely that weeds will be produced than useful plants. Thus the whole industry of a country may become perverted and falsified by removing the principle of competition. There will be no reason for healthful industries to spring up,

which will not also give life to such as are weak, tardy, ephemeral; to such as are parasitic and exhausting.

(*b*) Other things aside, the desirableness of raising the "infant" will depend very much on the length of time and total cost required to bring it to full age and size. There have been nations that exposed sickly and unpromising children, holding it to be for the advantage of the state to rear none but such as promised to become vigorous and useful members of society. Religion and humanity have changed this, out of respect for the image of God found in every human creature; and now the cripple and the idiot are reared tenderly and patiently. But the protective policy extends the same kindness and forbearance to industry. No matter how plainly palsy, scrofula, or fatuity may appear in the form or features, the infant is sure of an affectionate solicitude, that only changes to become more anxious as the infant gets punier and weaker.

France protected one of these industrial infants; *i. e.* the beet-sugar culture. Dr. Wayland said of it, in 1837, "The present protection costs one million and four hundred thousand pounds per annum. Suppose this to continue for twenty years, it will amount to no less than twenty-eight million pounds sterling; the interest of which, at five per cent., will bring, at two and a half pence per pound, one hundred and twenty-six million pounds of sugar, or nearly the whole annual amount of sugar now consumed in France." In 1865, we can say that this child, born in the early part of the great Napoleon's career, has not yet become strong enough to walk alone, or hardy enough to take the air. Supposing an equable annual consumption of any article, it requires but common school arithmetic to show that a protection to the extent of fifty per cent., continuing for eighteen years, would amount to a sum, which, at six per cent. interest, would furnish the nation in that article to the end of time, without ever paying anything more for it. A child

that is so costly to bring up ought to make a very useful man; whereas it is generally true that such children have to be brought up three or four times over, and then live on the poor-rates. If such a protection, however, were to be continued only eighteen years, and the necessity for it then cease, the industry having become self-supporting, it would yet be true that every pound would have two prices, added to each other: one, the present cost of making; the other, interest on old protection equal to the present cost.

In fact, iron and sugar have been protected in this country since 1816, and the duties still continue. And all for what? Where is the advantage of making a great annual sacrifice, for a long time, to establish an industry that will grow up of itself as soon as it will pay, as was growing up slowly, but successfully, before there was any protection?

(*c*) Finally, no sound and healthful manufacture needs protection at all. The phrase "infancy" is entirely sophistical, as applied to any branch of legitimate industry. Each one comes full-grown and full-armed into life. We do not mean that it has no growth, as far as extension is concerned. It certainly does go on from town to town, from State to State, out of small beginnings. But there is no infancy, so far as completeness or robustness of life is concerned. Suppose, for example, that there was but one manufacturer of iron in the country, and he produced only to the amount of five thousand dollars a year. Yet, if he could bring to the market as good and cheap an article as the foreigner, he would be none the worse for being a solitary producer on some mountain in Pennsylvania. The security of any manufacture does not reside in the number of those engaged, but in its power to meet the public wants. However few may be employed, however humble their beginnings, they stand simply in their ability to sell a good article at a reasonable price, and are as strong in this as ever was the proudest guild of London.

Of course, there is a period in every enterprise when all is experiment and outlay. But capital is always ready and able to meet the necessity. It belongs to capital to do this; for it gets the remuneration of it when the yield begins.

There is a remarkable confirmation of the truth of these remarks in the history of the boot and shoe manufactures of the United States. They never asked for protection; never received any notice in all the conflicts for increased tariffs. The trade grew up naturally, steadily, and profitably from the first; increasing gradually with the growth of the country, until, at the present time it is not only the largest, but one of the most profitable branches of manufacturing industry. In Massachusetts alone, this manufacture extends to over fifty millions of dollars annually, and is by far the most advantageous branch of industry in the State.

There is another popular argument for protection.

2d. It is claimed that we ought to protect our labor against the pauper labor of Europe.

Does a restrictive tariff do this? Does it prevent the laborers of Europe from entering into competition with ours? Does it not, in fact, bring them to our very doors?

For fifty years prior to the date of the first important tariff, viz.: 1816, there was no immigration of any consequence. Soon after this, we began to attract skilled workmen. Some were expressly hired to come over to teach us how to spin, weave, etc. As we raised the tariff and increased manufactures, the current increased, until it has inundated the country. All Europe pours in its starved labor upon us.

What kind of labor naturally emigrates? The poorest, because the better by character and capacity can protect itself longer at home. An employer does not turn his good men off first.

Why so large a proportion of Irish? Because theirs is the cheapest labor; the first thrown out in any reduction. The tide, once turned upon us, kept swelling, till our nation-

ality is almost in dispute. This immense immigration never came here in obedience to natural laws, but to the legislation of Congress. Instead of protecting American labor against the pauper labor of Europe, we have brought that labor here to meet the American citizen face to face, on a perfect level, with equal civil rights, and have given to him the advantage of our immense landed capital. Whether this is good State policy; whether a forced immigration, in such vast numbers as to prevent an easy and natural assimilation with the native population, is desirable or not,—it is not our province to discuss. That is a political question. It only belongs to us to show that no protection has been given to American labor.

3d. It has been gravely said, that the general average of all profits is raised by a protective policy.

If true, this is a valuable discovery. It affords the easiest known method of making everybody rich at once, and without effort. Government has only to place sufficient restrictions on trade to carry up profits to one hundred per cent.; and, when all trade has ceased, everybody's profits will be immense!

The folly of such assertions is too apparent to justify any considerable notice.

Where are the enhanced profits to come from? Out of the diminished production? Is the whole lessened, and every part increased? So far as protection creates a monopoly at the expense of the public, it may, for a while, add to the profits of an individual or a class, but only by taxing other industries for the purpose.

4th. But it is urged, leaving mere argument, do we not know that protection especially develops manufactures? and are not manufacturing countries found to be, in fact, richer than those which are more exclusively agricultural? Both propositions are true in an isolated form.

Other things equal, in a normal state of things, manufac-

turing communities are older than agricultural, and, of course, have much greater accumulated wealth. England is older and richer than the United States; Massachusetts than Ohio. Manufactures arise because a people have a dense population, abundant capital, and great industrial activity. Under such circumstances great wealth will be created, because these are the fit conditions of creating wealth. Such creations are natural.

It is, without question, true, that in an equal manufacturing population will be found a greater accumulation of wealth. One important reason of this is, that a larger share of the population are engaged in production, and a larger amount of capital is employed. Women and children, who could earn but little in agricultural labors, can earn much in manufacturing. This is one of the most striking results of a division of labor, as we have already shown. As we carry on agriculture, women and children do little, though in Continental Europe they do much. Agriculture, too, can be performed only in certain portions of the year. Manufacturing need never stop, summer or winter, cold or hot, fair or foul. This makes a wonderful difference.

All these, however, are economical advantages, which manufacturing communities have, when properly constituted and employed. These are reasons which may induce such industry; never reasons why it should be compelled. If, with so great a superiority, manufactures do not arise freely and support themselves fully, it becomes a double argument for not forcing them. If such advantage will not secure free manufacturing, it is certain that compulsory manufacturing will not secure these advantages, without the sacrifice of other interests.

But all this argument in favor of manufactures, and these anticipations of agricultural glut, come out of a false idea of what are the natural relations of these two great branches of labor. Granted, that manufactures are a desirable form

of national industry, give a good market for the produce of the farm and the mine, and help build up the common wealth; yet it is not necessary to bring them on by a forcing process, for they come of themselves as soon as profitable. We have already shown that certain large classes of manufactured products receive such a natural or local protection as insures their home growth. But there are other classes which have an encouragement even more liberal. There is a principle always operating to bring manufactures out, on every part of the earth's surface. It is the impossibility of carrying on certain branches anywhere but at the place where the article is wanted. The survey, grading, and construction of railroads and canals, forming as they do an immense portion of the public industry, cannot be brought within the purview of the custom house. They are necessarily confined to the field in which these means of transport are to be used. These may stand as examples of a vast class of industry, which arises indifferently to protection. So all tinkering, patching, and repairing, great or small, must be done on the spot. A glance at any village, no matter how intimate its connection with some center of trade, will show how large a share of its labor, other than agricultural, is employed in its local work; so that, one way and another, these classes of manufacturing interests, which inevitably come to the community without help of law, form a very considerable part of the whole.

The value of manufactured articles imported, for the four years preceding the war of the Rebellion, ranged from one hundred and fifty to two hundred millions a year; while the authorities of the Treasury and of the census estimate the value of home manufactures at not less than one thousand millions a year, for the same period. Such comparisons are necessarily crude; but it would be far within bounds to say that four-fifths of all the present consumption of manufactures would be supplied by our national industry, irrespec-

tive of protection. All the matter, then, comes to this: Shall we impose heavy duties to force labor and capital into such channels as shall provide, at great expense, the remaining fifth of the manufactures we consume?

5th. Perhaps the most popular plea of all for protection looks to "the development of our natural resources." This does not propose to increase the gross or net product of national industry, does not assume or assert that the labor and capital of the country are not well employed at present; but it remembers the great mineral and metallic wealth we have yet hidden in the Middle States and the West, and it sighs for the thought of their usefulness. It regards as of no consequence the fact that digging or working the ores will not pay. It can only exclaim, "What a pity that such great advantage should be unimproved!" These reasoners would call labor off from the rich fields of agriculture, from no other motive than a desire to see our wonderful mineral treasures developed.

The answer to this species of patriotism may be very short. Since Nature has taken thousands of years to form these ores and store these mines, man can at least take time enough to wait till it will pay to dig them. It may seem to some a pity they should remain underground; but the true cause of the misfortune resides in the fact that we have not population enough to settle densely one-tenth of our territory. It is a misfortune that will cure itself as our numbers increase. We can certainly afford to leave for future generations what we cannot afford to take for ourselves.

We have said that legal protection may be imposed from one or more of four general reasons.

We have discussed the first two, viz.:

To raise a revenue.

To encourage the growth of certain commodities at home.

We now come to the remaining reasons, which will de-

mand but little attention, as their principles have already been developed.

To support existing manufactures.

Here we leave the expediency of founding special industries by a system of protection, and confine ourselves to the question, whether, such industries having been begun and developed under high tariffs, capital having become so engaged, labor having become so employed, it is not necessary to continue the protection.

So far as this acknowledges a moral obligation on the government to save from loss those who have followed the guidance of its laws, it is a question for the statesman. But the economist can urge, that, if the burden of such bad investments must be borne by the public, it would be preferable to have it assumed in the shape of direct relief to the manufacturers, rather than by a system which is sure to multiply such unfortunate enterprises, and perpetuate their weakness. That great caution and forbearance are necessary, in removing even a false institution, is not a maxim which economy has to teach politics.

And here we come face to face with the great practical difficulty of protection in our country; that which, if all its principles were triumphantly proved in general reasoning, should still throw it out of our legislation. If it were proved harmless, if it were proved beneficial, there is a strong reason against ever attempting to realize it here. That difficulty resides in the varying politics of our country. Injurious as protection is to the best interests of the country, any system of it, however severe, would be preferable to the "open-and-shut" policy, absolutely unavoidable in a government like ours. It is not within the bounds of reason to suppose that the alternate successes of parties will not continue to convulse our national legislation; and therefore it is with emphasis true, that a consistent system of protection is only possible in a government with great

conservative force and great central powers. A representative body, embracing the most opposite interests, swayed by such influences and intrigues as notoriously possess such an organization, and changed in all its parts every few years, is not the place in which to adjust accurately and dispassionately the economical parts of a nation, and distribute the agencies of production.

It is our felicity, that our well-being does not depend on such counsels, but that great Nature has fixed the forces of industry in perfect harmony, and to the most beneficent ends.

To secure commercial independence. True commercial independence is attained by any nation, when its natural resources are so developed and cultivated that it becomes a power in the world, can command the products of the industry of every clime, because it can furnish that which all others want. This is independence *in* commerce. Independence *of* commerce is the independence of the savage, or of undiscovered countries. To assume that such independence of all mutual helpfulness is desirable, outrages the earliest sense of humanity.

But it is claimed that such a separation from all offices of kindness is necessary to protect nations in war.

So far as the State urges the claims of its own safety, the principles of economic science must be silent. But this interference with the laws of value, for the preservation of the national life, must be strictly limited to the absolute necessities of war.

There are many reasons to suppose, that this interference is rarely, if ever, necessary. There are very few States which could not, on occasion, supply from their own soil the means of warfare. It would be much better that nations should, by anticipation, secure from abroad a sufficient amount of *material*, than by indirect efforts distort their industry to an extent many times greater than would

be involved in obtaining beforehand, by commerce, whatever might be necessary.

But finally and decisively, if it is alleged, under any circumstances, to be essential that a nation should possess within itself the means of war, we answer that it should undertake the manufacture by a special government agency, not by changing the entire industry of a people to produce this as an incidental result. Such is, in fact, the procedure of most, if not all, civilized nations and leaves no force in the plea for national independence. But the argument for protection from the necessities of war has almost disappeared in the intenser light of our growing civilization. The independence of each nation *in* commerce, existing harmoniously with its dependence *on* commerce, forms the best hope of peace and tranquility for the future. It may be safely assumed, that the probabilities of war between any two peoples are inversely as their commercial relations. The great reason against war, in the present age, is not the expense of maintaining armies, nor the destruction of life, but the interruption of trade. This not only puts peacemakers in the councils at home, but makes all nations mediators between the parties at variance.

The intercourse between the United States and Austria is but trifling. A little fire would kindle great strife between these two peoples. There would be no great motive to forbear and adjust the occasions of dispute. The United States and England, on the other hand, have a yearly trade of four hundred and fifty millions of dollars, which interposes itself between the nations, however angry, a great standing policy of peace.

All general economic principles urge the extinction of war. All special economical interdependences postpone and weaken the provocations of war. Resting on this principle, we shall find nothing good in the scheme of making nations independent, that they may the better fight. We

shall recognize commerce as the great bond of human brotherhood.

But, after all argument has been closed on the principles of protection, we still find one plea remaining. If freedom of intercourse, it is said, were only universal, it would be well; but, since it is not, each nation must protect itself, and do as it is done by.

Let us suppose that England refuses to take our wheat. Would that be a good reason why we should not take iron from her, if we get it so, cheaper than by making it? We have already shown that the protected suffers more than the excluded community. If England should exclude our wheat, whom would she injure? Ourselves somewhat, that is, to the extent of the profits we should have made; herself still more, that is, to the extent of the vastly enhanced cost of the grain. If, in retaliation, we exclude her iron, whom do we injure? Her somewhat; ourselves much more.

Let us examine more in detail the consequences of our exclusion from foreign ports. If partial, we could still, by selling our wheat, get iron cheaper than by making it.

If total, the closing of our markets for wheat could turn our industry towards other forms of production. This would constitute one of the conditions under which manufactures would legitimately arise; and it would be more sensible and healthful than if it came as the result of our own restrictive legislation.

The full consequences of the policy of retaliation would be, each people refusing to receive the products of others, trade annihilated, industry crippled, all nations isolated, with no mutual interest but robbery and plunder.

We have said, that England, by imposing a duty, say of fifty per cent., on our wheat, would injure us to the extent of our possible profits, and herself to the extent of the enhanced cost of the grain. On a closer inquiry, we shall see that the injury to ourselves is compensated in part; that to herself is aggravated.

The consequence of such a duty would be, that the consumption would fall off in some degree. Her poor would subsist more on potatoes, or other articles cheaper than flour. But, notwithstanding these shifts, it would be found that it cost her laboring population more to live, even though they lived more meanly. Their wages must be raised; this is certain. All taxes laid on commodities which the laborer must use have the effect to reduce the quantity or quality of his food to a certain point; but he must *live*, and his wages must be raised to enable him to do so with the enhanced price of wheat. This would make it more expensive for England to manufacture her goods, and would, in part, so far reduce her ability to compete in the markets of the world. By such a policy, she would weaken her own industry, and to a degree exclude herself from commerce. This would afford another condition under which manufactures would legitimately arise in this country, whose wheat was excluded.

That this is no impossible supposition, will be evidenced by the condition of England before the repeal of the corn laws. The movement in favor of that great measure *originated* in Manchester, and was carried, against the nobility and the landed interest, by the resolute efforts of the manufacturing class.

What advantage is there in refusing to buy of a nation because it refuses to buy of us? It is retaliation and revenge, not self-defence or self-vindication. The first historical instance of such retaliatory legislation is the establishment, by the Venetians, of customs duties, to deprive foreigners of the benefit of their trade; in return for which, Charles V imposed twenty per cent. duty on all Venetian merchandise. The most wise and useful economical act of this century, was that by which, by the exertions of Mr. Cobden, England and France, so long contending only in exclusions and mutual injuries, threw open their

ports to the free entry of hundreds of articles, to the common benefit of both, and to the advancement of good feeling and hearty alliance; *a measure*, that, between the years 1859 and 1863, increased by seventy-three per cent. the trade of Great Britain with France, while proving no less beneficial to the labor of the latter country.

We infer, from all that has preceded, that, "protection" is an unfortunate expression. To restrict industry, to put the bad on the level of the good, to remove from industry its only guaranty of a full reward, to contract trade and neutralize the gifts of Nature, is not protection, in any proper sense of the word.

In conclusion of the subject, it may be proper to allude to the great natural characteristics of our national industry. We see that the important fact of our condition is unequaled agricultural power. Possessing such an advantage, with an active, enlightened, and enterprising population, and an industry perfectly untrammelled, we should naturally become the granary of the world, and create, as a certain consequence, the most extensive and powerful commercial and naval marine on the globe. We should secure, by sea and land, a greater power to give help to friends, or hurt to foes, than any other people, and should rapidly attain our best national condition.

We should have, not only the most profitable, but the most salutary industry, as favorable to the acquisition of unlimited wealth as to a sound physical development and high moral culture. We should have manufactures, also, in their spontaneous growth. They would arise—they were arising previous to any tariff—as fast as the best interests of the country required them.

States and sections, like New England, would naturally and profitably undertake manufactures, because they have a thinner soil, a denser population, and a larger capital relatively, than others. Such regions would be the work-shops

of the nation, while the prairies of the West and the rich uplands of the Middle States would be the nation's farms.

What manufactures arise of themselves should be *welcomed*, for they come in obedience to natural laws; they are founded on extraordinary facilities, on high natural protection, on local necessities. But we bind the swelling thews of the youth when we endeavor to force on America the industry of Europe. We grow enough every year to cover some of the kingdoms of the old world. Every year's growth stretches over and appropriates some country, fertile as the plains of the Nile, and bearing every manner of precious or useful ore. Here is our destiny. This is our wealth.

It cannot be too often repeated, because it is the great fact in regard to manufactures, that they only need to be "let alone." When a distinguished French minister of finance called the manufacturers of that country to Paris, and asked what he could do for them, they made the well known answer, "*Laissez nous faire.*" It is within our personal knowledge that when the proposal was made to impose the protective tariff of 1816, the leading manufacturers of Rhode Island, amongst whom was the late Mr. Slater, the father of cotton-spinning in this country, met at the counting-room of one of their number, and, after deliberate consultation upon the matter, came unanimously to the conclusion that they had "rather be let alone." Their business had grown up naturally, and succeeded well; and they felt confident of its continued prosperity, if uninterfered with by government. On the other hand, they argued that by laying a protective tariff the business would be thrown out of its natural channels, and become fluctuating and uncertain. How well founded were these anticipations subsequent events have fully shown.

It will, doubtless, be a matter of profound astonishment to the future historian that a people who had a free and untrammeled industry, with natural advantages for the

most productive agriculture in the world, and for the legitimate growth of every kind of manufacture, should ever have asked for restrictions upon trade. But, in truth, they did not ask for protection at the outset. It was forced upon them by politicians, irrespective of their wishes, for the avowed purpose of securing a home market for *cotton*.

All New England was opposed to the policy, and protested against it; yet it was carried. Special forms of manufacturing were brought into existence; and, as these were sickly and needed all the help they could obtain from government, an interested party was formed which clamored incessantly for protection. Yet it was not until the third tariff, that of 1824, had gone into operation, that the Northern and Central States became the partisans of protection. As New England was the last to assent to restrictive legislation, so she will undoubtedly be the first to ask for its abandonment. No policy could be more adverse to her permanent interests. She has great natural advantages for manufacturing. With these, she can carry them on successfully. By high protective duties other sections of the country not having the same natural advantages will be led to introduce the same branches of industry,* and she will find her severest competition at home; while all parts of the nation will be crippled by a false system, equally against the laws of nature and value; since protection, as previously shown, puts the bad on a level with the good, and destroys all natural tests of usefulness in production. It should always be borne in mind that protective duties must be high enough to enable the home manufacturer to get at least average profits; that is, such profits as commodities in general afford. He will not make broadcloth unless it is as profitable as any other branch of trade, manufacture, or agriculture. Nothing short of this is protection; and the duties must be carried upwards until they arrive at that point in which those who

*This is already becoming quite apparent.

are manufacturing *to the greatest disadvantage* can make average profits; otherwise there will be a call for higher duties. This is one of the practical difficulties of protection. The higher the duties imposed the greater will be the rush into the protected branch of industry; and none will be satisfied until they make the business profitable, however imperfectly conducted. Hence there will be a constant call for increased duties. Witness the history of protection in the United States,—a tariff in 1816, a higher one in 1820, higher yet in 1824, still higher in 1828, with continued changes from that time to this.

CHAPTER X.

THE DOCTRINE OF INTERNATIONAL EXCHANGES: THE LIMITS OF FREE TRADE AND THE PROTECTIVE SYSTEM.*

By Prof. Francis Bowen,

Alford Professor of Natural Religion, Moral Philosophy, and Civil Polity in Harvard University.

IT has now been shown that prices are determined by the relation of the demand to the supply, and that an extension of the market, or an increase of the demand, can be obtained only by submitting to a fall of prices, so as to bring the article within the reach of a greater number of consumers. In any market only a certain quantity of goods at a given price can be consumed; if more goods are forced upon the market than it naturally requires, the price must fall, and then the consumption may be very much increased.

It has also been proved that we really purchase commodities with commodities; that we pay for our whole imports with our whole exports; that if, in our traffic with any one country, our imports much exceed our exports, then we pay the balance, not in money, but by transferring to that country the debt due to us from another country with which our trade is such that our exports exceed our imports. It is only the balance of the immensely long "account-current" of our trade with all foreign countries whatsoever which is struck in money; and this cash balance cannot be more than an insignificant fraction of either side of the account.

* American Political Economy, 1870 Edition.

The advocates for free trade have always insisted that we must buy merchandise of England, not only to induce, but even to enable England to buy merchandise of us; that we must buy of any country in order to sell to her, and must buy as much as we sell. But it is not so. It is not necessary that we should take enough of English manufactured goods to pay us for all the cotton, tobacco, and wheat which we sell to England. England is able, though of course she is not very willing, to pay us the balance in tea from China, coffee from Brazil, hemp from Russia, or whatever other article, from whatever other country, we see fit to require. We can compel her to pay us in whatever commodities we may select; for the articles which we sell to England, cotton, tobacco, and wheat, are of prime necessity to her, and most of them she cannot obtain elsewhere. As our exports must pay for our imports, the only point to be considered is, how we can dispose of the exports to most advantage, or obtain for them the largest return of the imports.

The cost to us of our domestic products is, the labor that is expended upon their production. But the cost to us of foreign products is, not the labor which has been expended upon their production, but the labor which we must expend upon the articles that are given in exchange for those products.

"The advantage of an interchange of commodities between nations," says Mr. Mill, "consists simply and solely in this, —that it enables each to obtain, with a given amount of labor and capital, a greater quantity of all commodities taken together. This it accomplishes by enabling each, with a quantity of one commodity which has cost it so much labor and capital, to purchase a quantity of another commodity, which, if produced at home, would have required labor and capital to a greater amount. To render the importation of an article more advantageous than its production, it is not

necessary that the foreign country should be able to produce it with less labor and capital than ourselves. We may even have a positive advantage in its production; but if we are so far favored by circumstances as to have a still greater positive advantage in the production of some other article which is in demand in the foreign country, we may be able to obtain a greater return to our labor and capital by employing none of it in producing the article in which our advantage is least, but devoting it all to the production of that in which our advantage is greatest, and giving this to the foreign country in exchange for the other. It is not a difference in the absolute cost of production, which determines the interchange, but a difference in the comparative cost."

The inhabitants of Barbadoes, for instance, favored by their tropical climate and fertile soil, can raise provisions cheaper than we can in the United States. And yet Barbadoes buys nearly all her provisions from this country. Why is this so? Because, though Barbadoes has the advantage over us in the ability to raise provisions cheaply, she has a still greater advantage over us in her power to produce sugar and molasses. If she has an advantage of one-quarter in raising provisions, she has an advantage of one-half in regard to products exclusively tropical; and it is better for her to employ all her labor and capital in that branch of production in which her advantage is greatest. She can thus, by trading with us, obtain our breadstuffs and meat at a smaller expense of labor and capital than they cost ourselves. If, for instance, a barrel of flour cost ten days' labor in the United States, and only eight days' labor in Barbadoes, the people of Barbadoes can still profitably buy the flour from this country, if they can pay for it with sugar which cost them only six days' labor; and the people of this country can profitably sell them the flour, or buy from them the sugar, provided the sugar, if raised in the United States,

would cost eleven days' labor. This is a striking example to show the benefit of foreign trade to both the countries which are parties to it. The United States receive sugar, which would have cost them eleven days' labor, by paying for it with flour which costs them but ten days. Barbadoes receives flour, which would have cost her eight days' labor, by paying for it with sugar which costs her but six days. If Barbadoes produced both commodities with greater facility, but greater in precisely the same degree, there would be no motive for interchange.

Now let us apply these principles to the trade between England and the United States. To simplify the matter, we will take but one article, flour, as representing all the commodities that America sells to England; and but one article, cloth, as representing all the goods which England sells to America. Suppose, on account of the respective advantages possessed by the two countries, that the production of one barrel of flour in England costs as much labor and capital as would suffice for the manufacture of ten yards of cloth; while in America, one barrel of flour can be produced for three-fifths of its cost in England,—that is, for as much labor and capital as would, in England, manufacture only six yards of cloth.

Now, if a system of free trade between the two countries be established, the two commodities will be exchanged for each other at the same rate both in England and America. The price will be equalized between the two countries; but at what point will it be equalized? Shall the English price be established in America, or shall the American price be established in England? Or shall a price intermediate between the two be established? Either of these three suppositions is possible. The Englishman can afford to give ten yards, for it will cost him that amount of labor and capital to produce the flour in his own country, or for himself. On the other hand, the American can afford to sell

the flour for six yards, because this quantity of cloth, if produced in his own country, would cost him more than the flour. Suppose that, by the higgling of the market, the price in both countries is fixed at seven yards. The advantage of the trade is then shared between the two countries, but it is shared unequally. America gains one yard on each barrel, as she now receives seven yards of cloth for the labor which formerly produced but six; England gains three yards on each barrel, for the flour now costs her but seven yards a barrel, while it formerly cost her ten. We will suppose that, at these rates, America sells 100,000 barrels of flour to England, and receives in exchange, of course, 700,000 yards of cloth. The demand on each side must be just sufficient to carry off the supply received on the other. So long as England wants only this amount of flour, and the United States only this quantity of cloth, the interchange will continue at this rate, giving three-fourths of the profits to Great Britain, and only one-fourth to this country.

But suppose the demand to vary in one of the two countries; suppose that England, on account of the increase of her population, now needs 150,000 barrels of flour, which America is perfectly able and willing to furnish. But England can pay for this larger purchase only by sending over more cloth; the United States, however, by the supposition, are fully supplied with the 700,000 yards which they received before; they cannot buy any more at the old rate of seven yards for one barrel. How, then, is England to obtain the additional quantity of flour that she needs? She has but one course to pursue; she must offer her cloth at a reduced price, knowing that this reduced price will bring it within the reach of a larger class of consumers. Instead of seven, she will now offer nine yards of cloth for a barrel of flour. At this price, the Americans may be willing and able to buy 1,350,000 yards of cloth, which will furnish the

150,000 barrels of flour required by England ; or, if we do not need this large quantity of cloth, England has only to sell this quantity, at the reduced price, to other countries, and obtain in exchange for it tea, coffee, sugar, and other products, which, at this reduced price again, we do need. If we do not receive the benefit of the change of price in cloth, we shall receive it in other commodities.

There is, indeed, one other mode by which England might obtain the additional quantity of flour required, without lowering the price of her cloth. Suppose that the demand of the United States for cloth had been kept down to 700,000 yards by a protective tariff, the revenue from which paid the expenses of the government, though it somewhat enhanced the price of cloth to the people. Suppose, further, that the government, learning that England was inclined to purchase more flour of us, in order to favor that inclination, should determine to abolish the tariff, and admit cloth duty free, or at a nominal duty. Then, indeed, the demand for cloth might be so far increased, that England might obtain her 150,000 barrels of flour by paying for it at the rate of seven yards to a barrel. We should, indeed, sell the increased quantity of breadstuffs, but should receive for it only 1,050,000, instead of 1,350,000, yards of cloth. By this act of legislation, also, we should be obliged to pay the expenses of the government by direct taxation, should have our domestic manufactures ruined, and the profits of the agriculturists much diminished by the influx into their business, and the consequent competition, of the disbanded workmen from the manufactories.

America produces chiefly raw material, because she has the advantages of a more extensive territory and a more fertile soil ; England produces chiefly manufactured goods, because she has the advantages of more capital, longer experience, and cheaper labor. Now the doctrine of free trade (which is a perfectly sound and just doctrine, if applied to two countries that are similarly situated in every respect), if

applied in this case, would teach the Americans to give themselves exclusively to the production of raw material, and the English exclusively to manufactures, on the ground that each could purchase of the other what it would then need, more profitably than it could produce that article for itself. Let us suppose that the Americans adopt this advice, and raise nothing but raw material. What will be the consequence?

As every civilized nation must consume more value vested in manufactured goods than in raw material (without reckoning tea, coffee, and tropical products, which must be brought from abroad), it is evident that we must be constantly pressed to purchase from foreign countries more than we can easily pay for by selling to them raw material. In order, then, to enlarge the foreign market for our cotton, tobacco, and flour, we must offer them on the most favorable terms. We must offer them at the American price, say of one hundred-weight for six pounds of manufactures, rather than at the foreign price, which they would otherwise naturally assume, of one hundred-weight for ten pounds. At this foreign price, it may be assumed that we should procure only 200,000 pounds of manufactured goods,—not enough to supply our wants. But in order to obtain more, we must be able to sell more; and in order to sell more, we must offer the raw material at a lower price, so as to enable a greater number of foreigners to purchase it. The principle is, then, that whichever nation is under the strongest temptation or necessity to buy from others,—whichever needs to buy more value than it can readily sell,—that nation labors under a disadvantage in the traffic, and must offer its own commodities at the lowest possible price.

"At the lowest price which is possible," we say; for the theory shows clearly that there are limits beyond which the price can neither be elevated nor depressed. We cannot sell for less than six pounds, because the cost of producing a hundred-weight of raw material would, with all our disadvantages in manufacturing, enable us to manufacture six

pounds of such goods for ourselves. Neither can we obtain more than ten pounds, because the labor and capital bestowed on eleven pounds of these goods would enable the English, in spite of their disadvantages in regard to raw produce, to raise one hundred-weight of it for themselves. Within these limits, then, is the sphere of operation of a protective tariff; beyond them is the sphere of free trade. Prohibitory duties are always unwise; for the object is to check consumption, not to destroy foreign trade.

The purpose of a protective tariff is to secure to each nation the use of its own natural advantages; or rather, to prevent it from throwing these natural advantages away by too assiduous and exclusive cultivation of them, the effect of which would be, that the other arts and branches of industry would perish by neglect. A community cannot prosper by devoting all its energies to the cultivation of but one of the three great branches of industry. Devoted to agriculture alone, or to manufactures alone, or to commerce alone, it makes no difference;—in either case, it will have but one class of articles to sell, while it will have two classes of articles to purchase;—in either case it will have a greater surplus of one kind to dispose of, than other nations will be willing or able to purchase, except at the lowest possible price;—and to sell at the lowest possible price, as we have now demonstrated, is to sacrifice the whole of the natural advantage with which we are endowed by nature, and to put ourselves on a par with other countries in this respect, while we are below them in every other respect.

That the protective policy here advocated is consistent with the doctrines of political economy, as that science is usually taught in Europe, must appear from the limitations of the theory already laid down, and from the fact that this theory is frankly accepted even by those English economists who stoutly maintain the general doctrine of free trade. For proof, I quote from John Stuart Mill.

"If it be asked," he says, "what country draws to itself the greatest share of the advantages of any trade it carries on, the answer is,—the country for whose productions there is in other countries the greatest demand, and a demand the most susceptible of increase from additional cheapness. In so far as the productions of any country possess this property, the country obtains all foreign commodities at less cost. It gets its imports cheaper, the greater the intensity of the demand in foreign countries for its exports. It also gets its imports cheaper, the less the extent and intensity of its own demand for them. The market is cheapest to those whose demand is small. A country which desires few foreign productions, and only a limited quantity, while its own commodities are in great request in foreign countries, will obtain its limited imports at extremely small cost,—that is, in exchange for the produce of a very small quantity of its labor and capital."

Consequently, he argues, "the opening of a new branch of export trade; or an increase in the foreign demand for our products, either by the natural course of events, or by an abrogation of duties; or a check to our demand for foreign commodities by the laying on of import duties at home, or of export duties elsewhere;—these, and all other events of similar tendency, would make our imports no longer a balance for our exports; and the countries which take our exports would be obliged to offer their commodities (specie among the rest) on cheaper terms, in order to re-establish the equation of demand; and thus we should obtain money cheaper, and acquire a generally higher rate of prices. Incidents the reverse of these would produce effects the reverse,—would reduce prices."

It appears, then, that it is even more for the interest of American planters and agriculturists, than of the manufacturers themselves, that duties should be laid on the importation of foreign manufactured goods, so as to restrict the

amount of such importation. We thus purchase our imports more cheaply, or, what is the same thing, as commodities are actually bartered for commodities, we sell our exports at a higher price. The effect of the duty is, not to raise the price of the imported articles, but to cheapen them, the duty actually falling in great part upon the foreign manufacturer.

For instance: What would be the probable effect of raising the duty from 10 to 35 per cent. upon all the imported articles which come in competition with American manufactures? Suppose the value of such articles did not exceed 200 millions; the other imports being of such commodities, —tea, coffee, drugs, raw materials, and the like,—that we should be obliged, under any circumstances, to purchase them of foreigners. Even if the heavier duty on the competing articles should reduce the amount imported to 100 millions, the revenue of our own government would be much increased by the alteration. But England, from whom we import most of the competing goods, would still need to obtain from us as much vegetable food, tobacco, and cotton as ever; and her sale of her own manufactures to the United States being diminished to the extent of 100 millions, she would be obliged to offer to all nations, the United States included, these manufactures, and other commodities also, at lower prices. Compelled to seek an extension of the foreign market for whatever she has to sell, she must submit to a reduction of price, in order to bring her commodities within the reach of a larger class of consumers. American consumers, for instance, would not take even half as much as before, if the price in this country were enhanced to the full extent of the additional duty,—that is, 25 per cent. England would have to bear probably 15 per cent. of this duty, or to reduce her prices in this proportion, leaving the American price to be enhanced 10 per cent., which would be encouragement enough to set additional manufactories in

motion in the United States, so as to produce at home the 50 millions' worth cut off from our imports.

Already, then, we see the fallacy of the oft-repeated assertion by the advocates of free trade, that a protective duty raises the price both of the home commodity and of the foreign one which continues to be imported, to the full extent of that duty. If the impost be not so great as to be virtually prohibitive,—in which case we admit it would be impolitic,—the home price cannot be increased to the extent of more than one-half, seldom more than two-fifths, of the duty. Everywhere the inequality in the distribution of wealth is such, that the class of persons having an income, for instance, of $2,500 a year, is not, as we might be tempted by a superficial glance at the subject to believe, only 25 per cent. less numerous than the class having $2,000 a year; but is probably not more than half as large. If, then, the price should rise to the full extent of the duty, say 25 per cent., the total consumption would not be more than half as great, as only those would buy who have an income at least one-fourth larger than the smallest income possessed by any of the former purchasers; but a portion of what is consumed being now of home production, the importation of the article would fall off more than 50 per cent.

This reasoning, it is true, applies only to the somewhat finer and more costly articles of manufacture, for which alone a protective duty is needed. In respect to breadstuffs and other articles of prime necessity, we have already seen that a very considerable enhancement of price is needed, in order materially to lessen the consumption. The sale of the cheaper and more common products of manufacturing industry, also, may not be much checked by an addition of 20 or 30 per cent. to their price, as their cost forms but a small part of the total expenditure of any class of persons. But the principle holds true in the only cases in which we need to apply it.

The situation of the United States is so peculiar, that arguments drawn from European experience for the guidance of American legislation are apt to be wholly fallacious and unsound. We can more profitably go for a lesson to the other side of the habitable globe; I mean, to British India. There we find a deficiency of capital, an abundance of fertile territory, a consequent surplus of agricultural produce, and a lack of that skill in manufacture which can only be gained by long experience under a strict protective policy, such as England has enjoyed for nearly two centuries; — all these circumstances strongly reminding us of corresponding features in our own condition. Now, the Governor of India, in a correspondence with the East India Company on the subject of the Dacca weavers, made this statement: "Some years ago, the East India Company annually received of the produce of the looms of India to the amount of six to eight million pieces of cotton goods. The demand gradually fell, and has now ceased altogether. European skill and machinery have superseded the produce of India. Cotton piece-goods, for ages the staple manufacture of India, seem forever lost; and the present suffering to numerous classes in India is scarcely to be paralleled in the history of commerce."

This example throws light upon another reason, already urged in another place, for the establishment of a protective policy in America, as well as in India; — I mean, the great difference in the cost of transportation between raw materials and manufactured goods, which operates greatly to the advantage of the country producing the latter, because manufactures have much the greater value in the smaller weight and bulk. Rice, wheat, cotton, and sugar are among what might be called the greatest natural exports of India, as they are produced there very cheaply in great abundance. The average price of wheat at Calcutta is less than fifty cents a bushel; but the freight and other charges of transporting

that bushel to England, and selling it there, amount to about eighty cents. England, therefore, though she has abolished her corn laws, enjoys a virtual protective duty against wheat from India, amounting to one hundred and sixty per cent. The cost of transporting English manufactured goods to India, cannot, on an average, exceed forty per cent. of their value. The difference between these two rates, amounting to one hundred and twenty per cent., is, of course, really prohibitive in its effects; and India wheat is not brought to England at all.

The difference in the cost of transporting raw materials and manufactured goods across the Atlantic is certainly not so great as in sending them round the Cape of Good Hope; but it is enough to give a very important advantage to the traffic to England. Our chief article of export, raw cotton, is a very bulky one; and even breadstuffs and tobacco are more expensive, both for land and sea carriage, than the cheapest manufactures of the loom. On the very principles of free trade, which means nothing but trade with equal advantages to the two parties, we ought to levy a considerable protective duty, in order to make up the difference in the cost of transportation.

I have already alluded to the fact, that a protective duty, being designed as a check to injurious fluctuations of price, is graduated with reference to the lowest price at which the foreign commodity is ever sold, and not with reference to the average price. Thus a duty of thirty, may not raise the average price more than fifteen per cent.; and this last may be the whole amount of real protection that the American manufacturer needs. But to secure this protection at all times, the duty must be fixed at thirty per cent., because circumstances may sometimes force the foreign commodity upon the market at a price fifteen per cent. below its ordinary value. Thus, a temporary excess of production, or the reaction after a commercial crisis, may flood the

English market, for a while, with manufactured goods. These must be got rid of, even at a great sacrifice; and their owners prefer to send them abroad to be sold, rather than to lower prices by forced sales in the home market. Hence, foreigners can often purchase British manufactures at a less price than the English themselves. The injurious effect of a forced sale is thereby only transferred from the English to the American market. Prices here may be depressed to a ruinous extent for a time, only to recover their former level, or even to rise above it, after the mischief has been done of driving American manufactures out of the business. The proper object of legislation, in regard to the admission of imports, is to prevent injurious fluctuations of prices.

The disturbing effect produced by a temporary glut of the imported commodity may be much larger than its cause would seem to warrant; for the quantity thus thrown upon the market need not be large. But, as we have seen, taking away a third part of the supply may either double the price, or fail to raise it even one-sixth, according as the article is one of prime necessity, or one which people can easily do without. In like manner, making the stock of goods on hand one-third larger than usual may sink the price, not merely in proportion to that increase, but to one-half of its former amount. Then the whole stock, both foreign and domestic, must be sold at this ruinous sacrifice.

"To give the monopoly of the home market," says Adam Smith, "to the produce of domestic industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must, in almost all cases, be either a useless or hurtful regulation. If the produce of domestic can be bought there as cheaply as that of foreign industry, the regulation is evidently useless. If it cannot, it must generally be hurtful. It is the maxim of every prudent master of a family,

never to attempt to make at home what it will cost him more to make than to buy. The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom."

The comparison of individuals with communities is often a faulty and deceptive one, and is particularly so in this case. Certainly it would be unwise in an individual to be his own weaver, tailor, carpenter, and blacksmith; he would thus lose all the advantages of a division of labor, and would not become skilled in any department. But this objection does not hold in the case of a community, which has only a fictitious unity, and is really made up of many individuals, who may distribute among themselves all the employments which are requisite for the production of all the commodities that the society needs. No one person is thus required to practice more than one art, and the division of labor among these individuals is as perfect as if the same number of trades were partitioned out among so many distinct communities. Still more, as communities are often separated from each other by broad tracts of sea or land, should each one confine its industry to the production of a single commodity, and purchase whatever else it needs from rival States, all its articles of consumption, one alone excepted, would come to it burdened with a heavy cost of transportation; and the sale of its own single product everywhere but at home would be impeded by an addition to its cost from the same cause. All the advantages of a division of labor result from a separation of employments among individuals, and become disadvantages in the case of distinct States, counties, and even towns. To one who is a blacksmith, it is no help, but rather a hindrance, that his next-door neighbor is a blacksmith also; he has thus a competitor in satisfying

the wants of his own village, where every mechanic finds his best and most profitable customers; and as blacksmiths' work is heavy, he cannot carry his wares for sale even to the next county or town without lessening his profits.

The inhabitants of every country town understand their own interests much better than Adam Smith did. Instead of forming themselves into a settlement composed exclusively of artisans of one trade, each community has its own mason, shoemaker, carpenter, shopkeeper, lawyer, doctor, and clergyman, and is thus not obliged to send a dozen or twenty miles in order to have a horse shod, a chimney built, a tooth pulled, or a marriage celebrated. A Yankee farmer, with half a dozen stout sons, acts upon the same principle, in not educating them all to his own employment, but making a mechanic of one, a merchant of another, a sailor of a third, sending a fourth to college, and keeping only one at home to be his own successor upon the farm. As all occupations are precarious, he knows that, by this course, he multiplies the chances of success, or reduces the chances of failure, for the whole family, besides suiting each member of it with an employment best adapted to his peculiar powers and inclination.

We may ask if it be not as reasonable for a nation, as it confessedly is for an individual, to enter upon a course of education, or serve an apprenticeship. During the period of discipline, the gains will be small, the labor severe, and perhaps the expenses heavy; but an art or handicraft may thus be acquired which may afterwards be exercised with great profit. We suppose that the art is one for which the individual or the nation is sufficiently qualified by nature, so that merely the tact and dexterity, which can only be acquired by practice, are wanting. The common answer to this question, "that when the proper time has arrived, and sufficient capital has been accumulated, manufactures will introduce themselves without the aid of protective duties,"

is evasive and insufficient. It supposes that want of capital is the only obstacle to the immediate commencement of manufacturing enterprises; whereas skill is also requisite. Capital, we admit, may be accumulated in agriculture and other pursuits; but skill can be acquired only by actual experiments in manufacture, and those experiments can be tried only at considerable sacrifice. Individuals cannot be expected to make these sacrifices, when the results of the experiment, if successful, will not accrue to their exclusive advantage, but will be open to all.

Even in Great Britain, these principles are carried into practical application, through the encouragement afforded to authors and inventors, by securing to them, for a limited period, the exclusive right to sell their respective writings and discoveries. Patents and copyrights, which no one thinks it improper to grant, are signal instances of the successful application of the principles of the protective system. They are strict monopolies, no one but the author or inventor and his agents being allowed to manufacture or sell the particular book or machine which is thus protected. Consequently they are prohibitive rather than protective duties; any price can be set upon the articles which the owner of the patent or copyright sees fit to demand. And the public cheerfully pay the addition thus made to the natural cost of the commodity, knowing that without such encouragement few good books would be written and few useful machines invented; and that at the expiration of a limited time the right to make and vend the work will become general, and the community will then be the richer by the whole value of the original proprietor's genius and labor.

The reasonableness of granting patent rights and copyrights is frankly admitted by an able advocate of free trade, Mr. J. S. Mill. This, he says, is not making the commodity dear for the benefit of the patentee, but merely postponing a part of the increased cheapness which the public owe to the

inventor, in order to compensate and reward him for the service.) Having conceded thus much, he finds himself obliged, by consistency of reasoning, to make the following additional admission, which really covers the whole ground usually claimed by the advocates of a protective system in the United States. "The only case," he says, "in which on mere principles of Political Economy, protecting duties can be defensible, is when they are imposed temporarily (especially in a young and rising nation) in hopes of naturalizing a foreign industry in itself perfectly suitable to the circumstances of the country. The superiority of one country over another in a branch of production often arises only from having begun it sooner. There may be no inherent advantage on one part, or disadvantage on the other, but only a present superiority of acquired skill and experience. A country which has this skill and experience yet to acquire may in other respects be better adapted to the production than those which were earlier in the field; and besides, it is a just remark that nothing has a greater tendency to promote improvements in any branch of production than its trial under a new set of conditions. But it cannot be expected that individuals should, at their own risk, or rather to their certain loss, introduce a new manufacture and bear the burden of carrying it on until the producers have been educated up the level of those with whom the processes are traditional. A protecting duty, continued for a reasonable time, will sometimes be the least inconvenient mode in which the nation can tax itself for the support of such an experiment."

But on this great question between free trade and a protective policy, these arguments relating only to pecuniary loss or gain are not so weighty as the considerations, previously adduced, respecting the devotion of the greater part of the people to skilled or rude labor, and their consequent collection in towns and cities, or wide dispersion over the face of the country. Viewed in this light, I confess the

question seems to be one between progress in civilization and the arts, or a gradual return, I will not say to barbarism, but to that very imperfect stage of civilization which exists in all countries where the population are almost exclusively devoted to agriculture. The best legislative policy is that which will most effectually develop all the natural advantages of a country, whether mental or material. It is as wasteful, to say the least, to allow mechanical skill and inventive genius to remain unemployed as it would be to permit water-power to run without turning mills, or mineral wealth to continue in the ore, or forests, to wave where cotton and grain might grow luxuriantly. If the rude labor of husbandry is to form the principal employment of the people, the higher remuneration of skilled labor in the arts must be sacrificed; and this would be as bad economy as to turn our richest soils into sheep-pastures, or to feed cattle upon the finest wheat. The dispersion of the inhabitants over vast tracts of territory in the isolated pursuits of agriculture, the great majority of them being doomed to work which would not tax the mental resources of a Feejee-Islander, must be fatal not only to the growth of wealth, but to many of the higher interests of humanity. The hardships and privations of a life in the backwoods are a fearful drawback upon that bounty which confers, as a free gift, a homestead farm with a soil that reproduces the seed a hundred-fold. To give full scope to all the varieties of taste, genius, and temperament; to foster inventive talent; to afford adequate encouragement to all the arts, whether mechanical or those which are usually distinguished as the fine arts; to concentrate the people, or to bring as large a portion of them as possible within the sphere of the humanizing influences, and larger means of mental culture and social improvement, which can be found only in cities and large towns,—these are objects which deserve at least as much attention as the inquiry where we can purchase calicoes cheapest, or how great pecuniary sacri-

fice must be made before we can manufacture railroad iron for ourselves. I see not how these ends can be obtained in a country like ours, which is, so to speak, cursed with great advantages for agriculture, emigration, and the segregation of the people from each other, without throwing over our manufacturing industry, at least for half a century longer, the broad shield of an effective protecting tariff. When we have enjoyed, as England has already enjoyed, the benefit of a strict protective policy for over a century, for the purpose of completing our education in manufactures, then we shall be ready to do what England at last has done,—to throw down all barriers, and to invite the world to compete with us in the application of industry and skill to any enterprise designed to satisfy the wants of man.

CHAPTER XI.

FREE TRADE.

By Richard Cobden, M. P.

Aylesbury, January 9, 1853.

IT gives me particular pleasure to follow a gentleman who has addressed you in the capacity of a tenant-farmer, one who, to my knowledge, in his own business, by the growth of more corn, and raising more cattle, and employing more labor to a given area of soil, excels most of his neighbors—a man so well entitled to speak to you on the subject of the interests of the agriculturists of this country. We are met here under the denomination of a reform meeting—a parliamentary and financial reform meeting; but it will be known to every one present that the general impression, both here and abroad, is, that this is a meeting for the purpose, so far as I am concerned in the matter, of discussing the question of protection or free trade, especially with reference to tenant-farmers' interests in this matter. I remember speaking to an audience in this hall six years ago, and on that occasion going through the arguments necessary to show that the corn law was founded upon impolicy and injustice; I remember on that occasion maintaining the proposition that the corn law had not proved beneficial to any class of the community, and I ventured to say that the country would be more prosperous without the system of agricultural protection than it had been with it. Well, I am here now to maintain that by every test which can proclaim the prosperity

or adversity of a nation, we stand better now without the corn law than we did when we had it. [Cheers, and some cries of "No."] I am rather glad to see that there are some dissentients from that proposition; our opponents will not say that this is a packed meeting. We have got some protectionists here. And now, if you will only just keep that order which is necessary for any rational proceedings, I will endeavor to make you free traders before you leave.

I have said that, by every test which can decide the question of national prosperity or national adversity, we stand in a better position than we did when we had the corn law. What are the tests of a nation's prosperity? A declining or an improving revenue is one test. Well, our revenue is better than it was under a corn law. Our exports and our imports are better than they were under the corn law. Take the question of pauperism. I will not shrink even from the test of pauperism in the agricultural districts; I have the statistics of many of your unions in Buckinghamshire and Bedfordshire, and I warn the protcctionist orators, who are going about persuading themselves that they have a case in the matter of pauperism, that when Parliament meets, and Mr. Baines is enabled to bring forward the poor-law statistics up to the last week (not going to the "blue books," and bringing forward the accounts of the previous year), I warn the protectionists that, with regard to the test of pauperism, even in the agricultural districts, it will be seen that things are more favorable now, with bread at a moderate price, than they were in 1847, when prices were to their hearts' content, and the loaf was nearly double the price it is now. Take the state of wages; that is a test of the condition of the people. What are the people earning now, compared with 1847, when the protectionists were so well satisfied with their high prices? Why, as a rule, throughout the country, there is more money earned now than there was then; and they are getting the comforts and

necessaries of life in many cases at two-thirds, and in some cases at less than that, of the prices of 1847. [A voice: "It is not so with the agricultural laborers."] I will come to them by-and-by. What I want you to agree with in the outset is that your laborers are not the nation; and if your agriculture be an exception to the rule, we must find out the reason why it is so; we will come to that by-and-by.

I remember quite well, when I came here to see you before, how my ears used to be dinned by the argument that if we had free trade in corn, the gold would all be drained out of this country, for that you could not bring in 5,000,000 quarters of grain without being drained of your gold; that the foreigner would not take anything else in exchange. Why, we have had between 30,000,000 and 40,000,000 quarters within these last four years, and the bank of England was never so encumbered with gold as it is now. I have spoken of wages, and I say that in every branch of industry the rate of wages has improved. You may say that agriculture is an exception. We will come to that, but I do not make an exception in favor of any trade in your district; I do not make an exception in the case of the employment of women in your district, for I have made particular inquiry, and I find, even in the article of straw-plaiting, that families who could not earn 15*s.* in 1847, are now earning 25*s.* ["No," and some confusion.] I say families. I know we have some of the most extensive manufacturers in this hall. Then there is the lace trade, the pillow-lace trade, employing a great number of women in Buckinghamshire. [Renewed confusion, owing to a gentleman pressing his way towards the platform. A voice: "He is a reporter."] Well, we are delighted to see the gentlemen of the press; the more of them the better; what we say here will be read elsewhere, and we speak for that purpose. I was about saying, that even the wages of the pillow-lace makers have advanced, and they are getting their bread at two-thirds the former

price. Even the poor chair-makers of this and the adjoining county—a trade that has hardly known what it was to have a revival—are getting better. I repeat it, there is not an exception of any trade in which there is not an advantage gained by the moderate price of food that now prevails. ["Not the lace-makers?"] They are getting more employment.

But I want now to come to the question which interests you in this immediate neighborhood. If every other great interest of the State is thriving—and no one can deny it—how is it that agriculture is depressed? how is it that the interests of agriculture are found in antagonism with the interests of the rest of the community? Why, these people have been proceeding upon a false system, they have been upon an unsound basis; they have been reckoning upon Act of Parliament prices; they have made their calculations upon Act of Parliament prices, and now they find they are obliged, like other individuals, to be content with natural prices. What is the reason that agriculture cannot thrive as well as other trades? We find meetings called, purporting to be meetings of farmers, complaining of distress; and what is their remedy for that distress? Is it to go and talk like men of business to their landlords, and ask them for fresh terms of agreement, fresh arrangements, that they may have the raw material of their trade—the land—at the natural price, and free from those absurd restrictions that prevent their giving the natural value to it? No. Go to a meeting where there is a landlord in the chair, or a land-agent—his better-half,—and you find them talking, but never as landlords and land-agents, but as farmers, and for farmers. And what do they say? Why, they say, "We must go to Parliament, and get an Act of Parliament to raise the price of corn, that you may be able to pay us your rents." That is what it amounts to.

Now, what ought to be the plan pursued by the landlord

and tenant on an occasion like this? The landlord, as Mr. Disraeli very properly observed yesterday at Great Marlow, is an individual who has land, which is a raw material, and nothing more, to dispose of; and the farmer is a capitalist, who offers to take this raw material, in order that he may work it up and make a profit by it; in fact, the farmer and the landlord stand in precisely the same position that the cotton-spinner and the cotton-merchant stand in. The cotton-spinner buys his cotton wool from the cotton-merchant, in order that he may spin it up at a profit. If he can get his raw material cheap, he can make a profit; and if not, he cannot. But we never hear of the cotton-spinner and the merchant going together to Parliament for a law to keep up the price of cotton. I declare, when I find landlord and tenant running about raising a cry for "protection," and going to Parliament for a law to benefit them by raising the price of corn, I cannot help feeling humiliated at the spectacle, because it is a proof of want of intelligence on the one side, and, I fear, want of honesty, too, on the other.

Now, suppose you were to see a crowd of people running up and down the streets of Aylesbury, shouting out, "Protection! protection! oh, give us protection! we are all rowing in the same boat!" and when you inquired who these people were, you were told they were the grocers of Aylesbury and their customers, who were crying out for a law which would raise the price of all the hogsheads of sugar in the grocers' stores,—would you not say that this was a very curious combination of the grocers and their customers? Would not you say that the interest of the men who had the hogsheads of sugar to sell, and who wished therefore to raise the price, could not be identical with that of the men who had to buy the sugar? Yet, that is precisely the position in which the tenant farmers and the land owners stand. [Cries of "No, no," and "Yes."] Well, will any gentleman rise on this platform, and explain where I am wrong? Now,

the plan I would recommend the tenant farmers and the land holders to pursue is precisely the plan which has been adopted by my own tenants and myself. I will explain how I acted in this matter. I promised I would explain my conduct, and I will do so; and if those newspapers that write for protectionist farmers report nothing else of what I may say to-night, I beg them to let their farming readers know what I am now going to say. [A voice: "How large are your farms?"] I will tell you all about it. I happen to stand here in the quality of a landlord, filling, as I avowed to you at the beginning, a most insignificant situation in that character.

I possess a small estate in West Sussex, of about 140 acres in extent, and a considerable part of it in wood. It is situated in a purely farming district, in the midst of the largest protectionist proprietors in Sussex; the land is inferior; it has no advantages; it is nearly ten miles distant from a railroad; it has no chimneys or growing manufacturing towns to give it value. Now this is precisely the kind of land which we have been told again and again by Lord John Manners, the Marquis of Granby, and other protectionist landlords, cannot be cultivated at all with wheat at 40s., even if it were given to the cultivator rent free. This property came into my possession in 1847. [A Voice: "You got it from the League funds."] Yes; I am indebted for that estate, and I am proud here to acknowledge it, to the bounty of my countrymen. That estate was the scene of my birth and of my infancy; it was the property of my ancestors; it is by the munificence of my countrymen that this small estate, which had been alienated by my father from necessity, has again come into my hands, and that I am enabled to light up again the hearth of my fathers; and I say that there is no warrior duke who owns a vast domain by the vote of the imperial Parliament who holds his prop-

erty by a more honorable title than that by which I possess mine.

My first visit to this property, after it came into my possession, was in 1848. At that time, as you are aware, prices ranged high in this country; but never expecting those prices would continue, I thought that the proper time for every man having an interest in the land to prepare for the coming competition with the foreigner. I gave orders that every hedge-row tree upon my estate should be cut down and removed. I authorized the two occupying tenants upon the property to remove every fence upon the estate, or, if they liked, to grub up only a portion of them; but I distinctly said I would rather not see a hedge remaining on the property, inasmuch as it was surrounded with woods, and I did not think fences were necessary. That portion of the land which required draining, I had instantly drained at my own cost. The estate, as I have said, was situated in the midst of large protectionist land-owners, who, as a matter of course, were great game preservers; and it had therefore been particularly infested with hares and rabbits. I authorized the tenants on my land to kill the rabbits and hares, and to empower any one else they pleased to kill them.

So troublesome had been the hares and rabbits on that little property, that they even entered the gardens and allotments of the laborers; and one of those laborers appeared before the Committee of the House of Commons on the Game-laws in 1845, and stated that the rabbits had not only devoured his vegetables, his cabbages, and his peas, but had actually dug up his potatoes? At that time—in 1845—the property did not belong to me; but I took care to explain to this worthy man, in 1848, when I visited the estate, that if the hares or rabbits ever trouble him, or the other laborers living upon my property, that under the present law any

man may destroy hares on his own holding without taking out a license, and I advised the laborers to set gins and snares upon their allotments and in their gardens, to catch all the hares and rabbits they could; and when they caught them, to be sure and put them in their own pots and eat them themselves. That is the way in which I dealt with the game on my property. I must confess that I have no taste whatever for the preservation of such vermin, which I believe to be utterly inconsistent with good farming, and the greatest obstacle to the employment of the laborers. For my own part I would rather see a good fat hog in every sty belonging to my laborers, than have the best game preserve in the country.

That, then, was the course which I took in 1848, to prepare for the coming competition with the foreigner. It was a time when prices ranged high; nothing was settled about rents. In the course of the last year, however, I received a letter from one of my tenants, saying, "When I took this land from your predecessor, it was upon the calculation of wheat being at 56*s.* a quarter; it is now little more than 40*s.*, and I should like to have a new arrangement made." I wrote in reply, "The proposition you make is reasonable. We will have a new bargain. I am willing to enter upon an arrangement, estimating the future price of wheat at 40*s.*; but whilst I am willing to take all the disadvantages of low prices, I must have the benefit of good cultivation, and therefore we will estimate the produce of the land to be such as could be grown by good farmers upon the same quality of soil." Now, from the moment that this reasonable proposition was made, there was not the slightest anxiety of mind on the part of my tenants—not the least difficulty in carrying on their business of farming under a system of free trade as well as they had done under the system of protection. From that moment the farmers on this small

property felt themselves no longer interested in the matter of free trade and protection; and the laborers felt that they had as good a prospect of employment as they had before, and they had no interest in the question of protection. We settled our terms. I have bargained for my rent. It is no business of the public what rent I get. That is my business, and the business of the farmers; but if it is any satisfaction to my protectionist friends, I will admit that I am receiving a reduced rent, notwithstanding that I have drained the land, and given them the game, and removed the hedges, and cleared away every hedge-row tree.

What, then, becomes of the argument that it is impossible to carry on agriculture in this country with wheat at 40*s.* a quarter? I am getting some rent—and not so very large a reduction from the rent I got before; and it is enough for me to say that the land is being cultivated, and that farmers and laborers are employed and contented.

Now, with regard to a lease, I said to both my tenants, "Either take the land from year to year, with an agreement binding each of us to submit to arbitration the valuation of unexhausted improvements when you leave the land; or, if you like, take a lease, and I will bind you down to no covenants as to the way in which you are to cultivate the land while you possess it." What possible excuse, then, can the land-owners in any part of the country have for coming forward and telling us that land cannot be cultivated because wheat is 40*s.* a quarter? The answer I intend to give to those noble dukes and lords who are running about the country, and who are so angry with me, and are scolding me so lustily, is this—"Let me have the arranging of the affairs between you and your tenants,—the terms, the rent, and condition of the holdings,—and I will undertake to insure that your land shall be cultivated better than it was before, that farming shall be as profitable to the farmer, that the

laborer shall have as full employment, and at as good wages, provided you allow me to enter into the same arrangement that I have made with my own tenants." But that would not suit these parties. It would make a dry, dull, unprofitable matter of business of what is now made a piece of agitation, which ought to be called moonshine.

Now, if I had been a protectionist, I might have made money by this. I will show you how I should have done so. When my tenants wrote to me to say there ought to be a fresh agreement between us, what would have been my answer had I been a protectionist? I should have said, "That is true, my good friends; we will have a meeting at Great Marlow or High Wycombe, and we will petition Parliament to pass a law to protect you." Well, we should have had a meeting, my tenants would have been invited to attend, and would have shouted, "We are rowing in the same boat!" and after two or three hours of dull speeches, you would have had a conclusion with "three groans for Cobden." After this meeting was over my tenants might have gone home, and might have been prepared, until the next audit, to pay their full rents as before. And if I were a protectionist landowner I should have then wanted some fresh excuse against the next audit-day. Consequently I should probably have told the farmers to come to the next meeting, at 17 Old Bond-street, to memorialize her Majesty,—for they were not to be told to petition the House of Commons, but to lay their complaints at the foot of the throne. After my poor tenants had done all this and had gone home, and prepared their rents for the next audit-day, then some fresh excuse must be found, and we might have told the farmers that instead of memorializing the Queen they should agitate for a dissolution of Parliament. In this case we should have been safe in respect to our rents for the next three years, because that is an agitation which would last such a period.

In the mean time what would be the consequence to my tenants? With heartsickening delay, and with the hopelessness inspired into their souls by these dreary, dull, protectionist speeches, telling them that they could not cultivate their land even if no rent were paid; and with the constant drain on their resources to pay their old rents, without amelioration in their holdings, one-half the tenants might be ruined, and I am not sure that a large proportion will not be ruined by the tactics of the protectionists at the present moment. But was it necessary for any farmer to be ruined if the landlords pursued the same system as myself? This is simply and purely a rent question. And if the farmers cannot carry on their business, it is because they pay too high a rent in proportion to the amount of their produce. I do not say that in many cases the rents of the landlords might not be excessive, provided the land were cultivated to its full capacity. But that cannot be done without sufficient capital, and that sufficient capital cannot be applied without sufficient security, or without a tenant-right, or a lease amounting to tenant-right. We want to bring the landowner and the tenant together, to confront them in their separate capacity as buyers and sellers; so that they might deal together as other men of business, and not allow themselves to play this comedy of farmers and landlords crying about for protection, and saying that they are rowing in the same boat; when, in fact, they are rowing in two boats, and in opposite directions.

There is a new red-herring thrown across the scent of the farmers; they are told that protection cannot be had just now; but in the mean time they must have half the amount of the local rates thrown on the Consolidated Fund. I am really astonished that anybody should have the assurance to get up, and, facing a body of tenant-farmers, make such a proposal to them for the benefit of the landowners. The

local rates at present are paid on the real property of the country. Such is the nature of the poor-rates and of the county-rates, etc. They are not assessed on the tenant's capital. ["Hear," and a cry, "Mr. Lattimore said they are."] He said no such thing. [Some expressions of dissent.] He did not say that the assessment was on the ploughs and oxen of the tenantry. It is on the rent of land, and not on the floating capital; for it is known to everybody that the assessment is on the rent, and, if the rate is assessed on the rent, why, the tenant charges it to the landlord when he takes his farm. He calculates what the rates and taxes are, and, if the farm is highly rated, he pays less rent. Did you ever know a landlord let his land tithe-free on the same terms as land which had the tithe on it? At present the rates were laid on the rent of land, and were ultimately paid by the landlord. I admit that at first the tenant pays it out of his pocket, but he gets it again when he pays his rent. But only think of this wise proposal of the farmers' friend, who says, "in order to relieve you tenant-farmers, I will take one-half of these £12,000,000 of local taxes off, and put it on the Consolidated Fund—that is to say, on tea, sugar, coffee, tobacco, and other articles which you tenant-farmers and laborers consume." There is a pretty project for benefiting the tenant-farmers!

But there is another scheme; there are two ways of doing this. The other way is by assessing the rates on the floating capital of the country. The argument is—why should not the shop-keepers, the bankers, and the fundholders be assessed? But if you allow the bringing in of stock-in-trade to be assessed, you must bring in the farmers' stock-in-trade to be assessed. I now ask the farmers in Aylesbury and its neighborhood what they would gain if the value of all stock held upon land within the neighborhood of Aylesbury were assessed? Has not Mr. Lattimore told you that the estimated

value of the farming stock of this kingdom is £250,000,000? then I can only say it is five times as much as the capital invested in the cotton trade, and more than that employed in the great staple manufactures together; and under such circumstances, how can those landlords tell the farmers that they would put rates on the floating stock? And is it not, then, a wise proposal to make to the farmers, to take off half of the rates, and to put the assessment on the floating capital, of which the farmer possesses the greater proportion? I am humiliated when I read of these meetings, in which the farmers listen and gape at such speeches; and I feel a relief that it is not my duty to attend at such meetings, and that I have no landlord to oblige by being present at these meetings.

CHAPTER XII.

WEBSTER'S CHANGE OF VIEWS.

SPEECH OF MR. WEBSTER OF MASSACHUSETTS, ON THE TARIFF, IN THE SENATE, JULY 25 AND 27, 1846.

AND now, sir, with the leave of the Senate, I shall proceed to consider the effects of this bill upon some of those interests which have been regarded as protected interests.

I shall not argue at length the question whether the government has committed itself to maintain interests that have grown up under laws such as have been passed for thirty years back. I will not argue the question, whether, looking to the policy indicated by the laws of 1789, 1817, 1824, 1828, 1832, and 1842, there has been ground for the industrious and enterprising people of the United States, engaged in home pursuits, to expect protection from the government for internal industry. The question is, do these laws or do they not, from 1789, till the present time, constantly show and preserve a purpose, a policy, which might naturally and really induce men to invest property in manufacturing undertakings and commit themselves to these pursuits in life? Without lengthened arguments, I shall take this for granted.

But, sir, before I proceed further with this part of the case, I will take notice of what appears to be some attempt, latterly, by the republication of opinions and expressions, arguments and speeches of mine, at an earlier and later

period of life, to place me in a condition of inconsistency, on this subject of the protective policy of the country. Mr. President, if it be an inconsistency to hold an opinion upon a subject of public policy to-day, in one state of circumstances, and to hold a different opinion upon the same subject of public policy to-morrow, in a different state of circumstances, if that be an inconsistency, I admit its applicability to myself. Nay, sir, I will go further, and in regard to questions which, from their nature, do not depend upon circumstances for their true and just solution, — I mean constitutional questions, — if it be an inconsistency to hold an opinion to-day, even upon such a question, and on that same question to hold a different opinion a quarter of a century afterwards, upon a more comprehensive view of the whole subject, with a more thorough investigation into the original purposes and objects of that Constitution, and especially with a more thorough exposition of those objects and purposes by those who framed it, and have been entrusted to administer it, I should not shrink even from that imputation. I hope I know more of the Constitution of my country than I did when I was twenty years old. I hope I have contemplated its great objects more broadly. I hope I have read, with deeper interest, the sentiments of the great men who framed it. I hope I have studied with more care the condition of the country when the convention assembled to form it. *And yet I do not know that I have much, sir, to retract or to change on these points.**

* Mr. Webster gave the following reasons in Boston why protection should be borne:

"We see (said Mr. Webster) most enlightened nations, which have adopted this artificial system, are tired of it; we see the most distinguished men in England, for instance, of all parties, condemning it. The only difference of opinion is, whether the disease is not so inveterate as to yield to no remedy which would not produce greater evils. The only difference is, whether it be an evil grievous but to be borne, but a grievous evil not to be borne. He alluded to England, because her example had been so often quoted as a model for our imitation. But why should we adopt, on her example, what she herself laments, and would be glad to be rid of?"

But, sir, I am of the opinion of a very eminent person who had occasion, not long since, to speak of this topic in another place. Inconsistencies of opinions, arising from changes of circumstances, are often justifiable. But there is one sort of inconsistency which is culpable. It is the inconsistency between a man's convictions and his vote; between his conscience and his conduct. No man shall ever charge me with an inconsistency like that. And now, sir, allow me to say, that I am quite indifferent, or rather thankful, to these conductors of the public press who think they cannot do better than now and then to spread my poor opinions before the public. [A laugh.]

I have said many times, and it is true, that up to the year 1824, the people of that part of the country to which I belong, being addicted to commerce, having been successful in commerce, their capital being very much engaged in commerce, were adverse to entering upon a system of manufacturing operations. Every member in Congress from the State of Massachusetts, with the exception of one, I think, voted against the act of 1824. But what were we to do? Were we not bound, after '17 and '24, to consider that the policy of the country was settled, had become settled, as a policy, to protect the domestic industry of the country by solemn laws? The leading speech which ushered in the act of '24 was called a speech for an "American System." The bill was carried principally by the Middle States. Pennsylvania and New York would have it so; and what were we to do? Were we to stand aloof from the occupations which others were pursuing around us? Were we to pick clean teeth on a constitutional doubt, which a majority in the councils of the nation had overruled? No, sir; we had no option. All that was left us was to fall in with the settled policy of the country; because if anything can ever settle the policy of the country, or if anything can ever settle the practical construction of the Constitution of the country, it

must be these repeated decisions of Congress, and enactments of successive laws conformable to these decisions. New England, then, did fall in. She went into the manufacturing operations, not from original choice, but from the necessity or the circumstances in which the public councils had placed her. And for one, I resolved then, and have maintained that resolution ever since, that, having compelled the Eastern States to go into these operations for a livelihood, the country was bound to fulfill the just expectations which it had inspired.

I now come, Mr. President, to the last topic on which I propose to trespass on the patience of the Senate; it is the effect of the change proposed by this bill upon the general employment, labor, and industry of the country. And I would beg, sir, in this view, to ask the reading of a petition which has been lying on my table for some days, but which I have not had an opportunity to present. It is a very short petition from the mechanics and artisans of the city of Boston. [The Clerk then read the petition.] Now, sir, these petitioners remonstrate against this bill, not in behalf of corporations and great establishments, not in behalf of rich manufacturers, but in behalf of "men who labor with their own hands," whose "only capital is their labor," and "who depend on that labor for their support, and for anything they may be able to lay up."

Mr. President, he who is the most large and liberal in the tone of his sentiments towards all the interests of all parts of the country; he who most honestly and firmly believes that these interests, though various, are consistent; that they all may well be protected, preserved, and fostered by a wise administration of law under the existing Constitution of the United States; and he who is the most expansive patriot, and wishes well and equally well, to every part of the country, even he must admit that, to a great extent, there is a marked division and difference between the plan-

tation States of the South, and the masses in the agricultural and manufacturing States of the North. There is a difference growing out of early Constitutions, early laws and habits, and resulting in a different description of labor; and to some extent, with the most liberal sentiments and feelings, every man who is concerned in enacting laws with candor, justice, and intelligence, must pay a proper regard to that distinction. The truth is, that in one part of the country labor is a thing more unconnected with capital than in the other. Labor, as an earning principle, or as an element of society working for itself, with its own hopes of gain, enjoyment, and competence, is a different thing from that labor which in the other part of the country attaches to capital, rises and falls with capital, and is in truth a part of capital. Now, sir, in considering the general effect of the change sought to be brought about, or likely to be brought about by this bill, upon the employment of men in this country, regard is properly to be paid to this difference which I have mentioned; yet it is at the same time true, that there are forms of labor, especially along the seacoast and along the rivers, in all the Southern States, which are to be affected by this bill as much as the labor of any portion of the Middle or Northern States. The artisan in every State has just the same interest — the same at the South as at the North. And this is at the foundation of all our laws, from 1789 downward, which have in view the protection of American labor. The first purpose, the first object was, the full protection of the labor of these artisans. That subject was gone over the other day by my friend from Maryland [Mr. Johnson], who presented to the consideration of the Senate the first memorial ever sent to Congress on the subject of protection. It was from the city of Baltimore, and it was in 1789. And from that day to this, Baltimore has been more earnest and steady in her attachment to a system of law, which she supposed gave encour-

ment to her artisans, than almost any other city of the Union. I say she has been steady and earnest, sir. If she has ever faltered, for a moment, she will, in a moment, resume her attitude, and pursue her accustomed course.

Now, sir, taking the mass of men as they exist amongst us, what is it that constitutes their prosperity? Throughout the country, perhaps more especially at the North, from early laws and habits, there is a distribution of all the property accumulated in one generation, among the whole succession of sons and daughters in the next. Property is everywhere distributed as fast as it is accumulated, and not in more than one case out of a hundred is there any accumulation beyond the earnings of one or two generations. The consequence of this is, a great division of property into small parcels, and a considerable equality in the condition of a great portion of the people; and the next consequence is, that out of the whole mass, there is a very small proportion, hardly worthy of being named, that does not pursue some active business for a living. Who is there that lives on his income? How many, out of millions of prosperous people between this place and the British Provinces, and throughout the North and West, are there, who live without being engaged in active business? None; the number is not worth naming. This is, therefore, a country of labor. I do not mean manual labor entirely. There is a great deal of that, but I mean some sort of employment that requires personal attention, either of oversight or manual performance, some form of active business. This is the character of our people, and that is the condition of our people. Our destiny is labor. Now, what is the first great cause of prosperity with such a people? Simply, employment. Why, we have cheap food and cheap clothing, and there is no sort of doubt that these things are very desirable to all persons of moderate circumstances, and laborers. But they are not the first requisites. The first requisite is that which enables

men to buy food and clothing, cheap or dear. And if I were to illustrate my opinions on this subject, by example, I should take, of all the instances in the world, the present condition of Ireland.

I am not about to prescribe, Mr. President, forms of legislation for Ireland, or principles to the Parliament of Great Britain for the government of Ireland. I am not about to suggest any remedy for the bad state of things which exists in that country; but what that state of things is, and what has produced it, is just as plain and visible to my view as a turnpike road; and I confess that I am astonished, that learned and intelligent men, who seem to have been brought up under certain notions, or systems, which appear to have turned their eyes from the true view of the case, have been unable to solve the Irish problem. Well, now, what is it? Ireland is an over-peopled country, it is said. It has eight and a half millions of people on an area of thirty-one thousand eight hundred square miles. It is, then, a very dense population; perhaps a thicker population, upon the whole, than England. But why are the people of Ireland not prosperous, contented, and happy? We hear of a potato panic, and a population in Ireland distressed by the high price of potatoes. (Why, sir, the price of potatoes in this city is three times the price of potatoes in Dublin) and at this moment potatoes are twice as dear throughout the United States as throughout Ireland. There are potatoes enough, or food of other kinds, but the people are not able to buy it. And why? That is the stringent question. Why cannot the people of Ireland buy potatoes or other food? The answer to this question solves the Irish case; and that answer is simply this: The people have not employment. They cannot obtain wages. They cannot earn money. The sum of their social misery lies in these few words. There is no adequate demand for labor. One-half, or less than one-half, of all the strong and healthy laborers of Ireland

are quite enough to fulfill all demand, and occupy all employments. Does not this admitted fact explain the whole case? If but half the laborers are employed, or the whole employed but half the time, or in whatever form of division it be stated; if the result is, that there is, in so thickly a peopled country, only half enough of employment for labor and industry, who need to be surprised to find poverty and want the consequence? And who can be surprised, then, that other evils, not less to be lamented, should also be found to exist among a people of warm temperament and social habits and tendencies? It would be strange, if all these results should not happen.

But, then, this only advances the inquiry to the real question—Why are the laboring people of Ireland so destitute of useful and profitable employment? This is a question of the deepest interest to those who are charged with the duty of remedying the evil, if it can be remedied. But it is rather beside any present purpose of mine. It may be said, in general, that Ireland has been unfortunate, as well as badly governed. In the course of two centuries, much the greater part of the soil of Ireland, generally supposed as much as nine-tenths, has been forfeited to the crown, and by the crown given or sold to persons in England, the heads of opulent families or others. These new English proprietors are known as absentee landlords. They own a vast portion of the island. The absentee landlord is not a man who has grown up in Ireland, and has gone over to England to spend his income. He may be a man who never saw Ireland in his life. I have heard of families, no member of which has visited its Irish estates for half a century, the lands being all the time under "rack-rent," in the hands of "middlemen," and all pressing the peasantry and labor to the dust.

There is a strange idea, at least it seems strange to me, which most respectable men entertain on this subject of Ireland. Mr. McCulloch, so highly distinguished an authori-

ty, for example, will insist upon it, that there is no evil in Irish absenteeism, because he proceeds on the theory which, he says, admits of no exception—that it is best for a man to buy where he can buy cheapest. Well, that is undoubtedly so, if he have the means of buying. Now, if Irish absenteeism did not diminish the employment of the people of Ireland, and so diminish their means of buying, the argument would hold. But who does not see, that if the landlord lived in Ireland, consuming for his family and retainers the products of Ireland, it would augment the employment of Ireland? It seems clear to me that residence would not only give general countenance and encouragement to the laboring classes, and benefit both landlord and tenant, by dispensing with the services of middle-men, but that it would also do positive good, by producing new demands for labor. From early times the English government has discouraged in Ireland every sort of manufacture, except the linen manufactured in the north. It has, on the other hand, encouraged agriculture. It has given bounties on wheat exported. The consequence has come to be this, that the surface of Ireland is cut up into so many tenements and holdings, that every man's labor is confined to such a small quantity of land, that there is not half employment for labor, and the lands are cultivated miserably after all. Mr. McCulloch says that four-fifths of the labor of Ireland is laid out upon the land. There is no other source of employment or occupation. This land being under a "rack-rent," is frequently in little patches, sometimes of not more than a quarter of an acre, merely to raise potatoes, the cheapest kind of food. This is the reason why labor is nothing, and can produce nothing but mere physical living, until the system shall be entirely changed. This constitutes the great difference between the state of things in Europe and America. In Europe, the question is, how men can live. With us, the question is, how well they can live.

Can they live on wholesome food, in commodious and comfortable dwellings? Can they be well clothed, and be able to educate their children? Such questions do not arise to the political economists of Europe. When reasoning on such cases as that of Ireland, the question with them is, how physical being can be kept from death. That is all.

FREE TRADE ENCOURAGES DOMESTIC LABOR.

I will now proceed, sir, to state some objections of a more general nature to the course of Mr. Speaker's observations. He seems to me to argue the question as if all domestic industry were confined to the production of manufactured articles; as if the employment of our own capital and our own labor in the occupations of commerce and navigation were not as emphatically domestic industry as any other occupation. Some other gentlemen, in the course of the debate, have spoken of the price paid for every foreign manufactured article as so much given for the encouragement of foreign labor, to the prejudice of our own, but is not every such article the product of our own labor as truly as if we had manufactured it ourselves? Our labor has earned it, and paid the price for it. It is so much added to the stock of national wealth. If the commodity were dollars, nobody would doubt the truth of this remark, and it is precisely as correct in its application to any other commodity as to silver. One man makes a yard of cloth at home; another raises agricultural products and buys a yard of imported cloth. Both these are equally the earnings of domestic industry, and the only questions that arise in the case are two: the first is, which is the best mode, under all the circumstances, of obtaining the article; the second is, how far this question is proper to be decided by government, and how far it is proper to be left to individual discretion. There is no foundation for the distinction which attributes to certain employments the peculiar appellation of American industry; and it is, in my judgment, extremely unwise to attempt such discriminations.

CHAPTER XIII.

DOES PROTECTION PROTECT?*

THOMAS G. SHEARMAN, ESQ.

I.—WHAT IS PROTECTION?

"PROTECTION to American industry" is a high-sounding phrase. If by it is meant that kind of protection which a good government gives against theft, violence, and fraud, then we all want to be protected ourselves, and to have the same protection extended to everybody. This idea makes the name of "protection" captivating, and has given to the protective system all the popularity which it has. But the protection extended to American industry is not at all of that kind. It is a system of legislation intended to compel every one who lives in the United States to buy goods which are manufactured here at a higher price than he could buy them for outside of this country. Its aim is to prevent manufactured goods from ever being sold here at as low prices as they are sold in Europe. It protects, or rather tries to protect, American manufacturers from the necessity of making their goods as well as European goods are made, if they want to get the same price. This is called protection against foreign competition.

II.—WHAT ARE WE TO BE PROTECTED AGAINST?

When we hear that we need protection, we naturally ask, against what? The answer usually is, "against foreign com-

* Michigan State Free Trade League, January 11, 1883.

petition," or, "against a flood of foreign goods," or, "against an adverse balance of trade," or, as Judge Kelley neatly puts it, "against all comers."

These are all fine phrases; but they do not mean anything definite. You cannot take hold of them. No one proposes to shut out any foreign competition, except that which comes from China; for all parties rejoice in the increasing arrival of foreign laborers to compete with our own; and Judge Kelley, who says he is "against all comers," is not, I believe, even against Chinese comers, while he certainly rejoices in the coming of the very English workmen whom he so much hates when they remain at their old home. Then, as to the flood of foreign goods, it is one of the leading doctrines of the protectionists that protection makes us so rich that we shall import more foreign goods with protection than we should without it. So they cannot object to the goods. Indeed, no one, so far as I can learn, objects to receiving as many foreign goods as he can get, provided he is not required to pay for them; and the Bessemer steel mills import more foreign materials than any equal number of concerns in the land.

As to the balance of trade, that can hardly be the ground of protection, since a protective tariff was maintained and made constantly heavier for twelve years, from 1861 to 1873, while with each year the "adverse balance of trade" grew more and more adverse to this country.

Reduced to plain English, the dangers against which the protective system protects us are too much freedom, too little work and too much pay.

Of course protectionists will be indignant at this plain way of stating the case; but see if they can unstate it. Is it not their desire to protect us against freedom of trade, against lack of work and against the flood of foreign goods? If protection is not designed to accomplish these purposes, what is it intended to do? Are not these the favorite

phrases of protectionists themselves? Let us consider each of these points:

1. We are protected against freedom of trade. Is there any intrinsic advantage in that? We are not allowed to use our own discretion as to where we shall buy or at what price. Congress interferes and forbids us to buy at the English shop or from the Irish farm. Ireland sent us potatoes all last year, and took our corn; but Congress made us pay a penalty of more than one-third of all the potatoes imported; not because the money was needed for revenue, but for the express purpose of preventing us from buying good Irish potatoes, instead of rotten American ones. England and Germany were willing to sell us good woolen blankets at the same price which home manufacturers charged us for stuff made of three-fourths cotton. We all wanted to buy from the foreign shop; but we were protected against the freedom of having woolen blankets, and were tucked under disease-breeding cotton ones. Leave out of view, for the present, the other items to the credit of protection, and is there any merit in the system simply as an interference with freedom? Is not freedom of selection, in trade as in everything else, a good thing?

2. We are protected against lack of work. Most people want wages more than work. But protectionists long ago discovered that this was a mistaken desire, and that it made no difference what men were paid for their work, so long as plenty of work was provided.

Tariffs unquestionably increase work, because they shut out some goods which we must have, and so compel our people to make them at home. Work is increased; but where is the extra pay to come from?

Horace Greeley believed so thoroughly that increase of work was a blessing, that he spoke of the Chicago fire as not altogether an evil, because it made more work. True. Let us burn down Brooklyn, and there will be plenty of work

for us. Burn New York City and there will be more. Better still; burn out the whole country; and what a vast amount of work there will be!

But where are the wages to come from?

Wages are paid out of what has already been saved. A large city represents so much accumulated savings. When the city is destroyed, its inhabitants have the work of rebuilding it; but they have to do it with their own hands, on no wages, as people do after a great war, or they have to borrow the money from some other city, with which to pay wages; and if they do that, there is just so much taken from the amount which that other city could have afforded to pay in wages for other work. Destruction of property increases work, but diminishes wages.

Now, "Protection," just like a burned city, makes more work, but provides no more wages.

People seem to think that, if you can only make plenty of work, no matter how, more wages are sure to come. Are they? If work is all you want, I alone will find work for ten thousand men. There are more than 100,000 miles of roads in this country, which ought to be macadamized at once. There are thousands of farms, which the owners will allow to you to cultivate for their benefit. Go dig, young man! Do you ask for wages? I will give you as much as a protective tariff gives—just none at all.

If mere increase of work is wanted (and that is all which protection can possibly give), break up all labor-saving machines, all railroads and telegraphs; adopt Ruskin's theory, and have all goods carried from place to place on the backs of men or mules, or by row-boats. That will give employment for all. But, lest you should not encourage domestic industry sufficiently by all this, have a standing army of a million men, so that the rest may have to work for their support. Then tie every man's right arm behind his back, and by one grand stroke you will have doubled the amount of labor for every man?

3. We are protected against too much pay. Foreigners offer us so much iron, steel, wool, clothing, and food, that we become frightened and cry: "Here comes a flood of foreign goods! Shut them out!" But this is only their way of paying for things, which they buy of us. We try, by means of a tariff, to prevent them from paying us as large a price for what we have sold them as they are willing to pay. We want to force them into paying gold for all that they buy. Sometimes we succeed in making them pay a large share in gold. But, as we cannot eat it or wear it, or make any use of it, the only result is that we immediately pay it out for iron, steel, clothing, and sugar, only getting one-third less of all these things than we might have had for the same price, if we would have taken them from the foreigners at first.

We are dreadfully afraid of an adverse balance of trade, that is, of our imports exceeding our exports in the value of each to us; and one of the chief objects of protection is to prevent this from coming to pass.

But exports are what we pay to foreigners.

Imports are what foreigners pay to us.

If our imports were not worth more to us than our exports, we should be doing a losing business. If we want nothing but a "favorable balance of trade," as it is called, the short and sure way to get it is to load our ships with $500,000,000 worth of goods, send them out to sea, and sink them there.

But you say that what you want is to prevent a "drain of gold;" and you are afraid that, if we take goods from foreigners, they will make us pay for them in gold. Don't be frightened. They can't do it; for the simple reason that we have not gold enough and cannot get it. If they will not accept pay in other things, they will not get paid at all. And even if we could pay them any large amount of gold, they would have no use for it, except to pay it out again for

something more useful, which they would do at once; and so, if we wanted it, it would find its way back to us very quickly. As a matter of fact we have never sent gold abroad to any large amount, except when we used paper money to such a degree that we had no use for the gold.

Nobody wants to keep gold, unless he is a crazy miser. It is the very poorest kind of permanent investment. You cannot eat gold, or wear gold, or cultivate gold. You have to part with it, in order to make it of the slightest use. The man to whom you lend or pay it looks around anxiously for the first chance to get rid of it for something better. The whole Vanderbilt family do not own, at this moment, $2,000 in gold, nor $10,000 in any kind of money, coin or paper. The fifty greatest millionaires in America do not keep on hand as much as $500 each, in any kind of money.

A few banks keep coin on hand; but it belongs to them; not to their depositors; and even the banks are anxious to get rid of four-fifths of their money. Indeed, a bank which could not persuade its customers to take out much more than four-fifths of all the coin which they brought in, would promptly wind up business, because it could not pay expenses.

All this is just as true of other nations as of our own—at least, of all civilized nations; and the only exception is in countries where the governments rob the people of their property so often, that the people have to hide their wealth, which they can best do in gold or silver.

More than nine-tenths of all exports from this or any other country consist of merchandise, not coin. They always did and always will. Accounts must balance between nations as well as men. It is true that we send more goods to England than she sends to us; but she sends her goods, to the amount of the balance, to Brazil, the West Indies, China, etc., and they send us, in their productions, millions of dollars more than we send to them. You cannot sell without buying, and you cannot buy without selling.

III.—HOW PROTECTION UNDERTAKES TO PROTECT.

Not very long ago protection used to be carried on by absolutely prohibiting the importation of certain classes of foreign goods. But no one ventures to propose any such straightforward method in this country, except with regard to ships. Those are prohibited from coming under the American flag on any terms; and a pretty business has been made of our shipping by such protection, for it is protected to the point of death; and invitations to the funeral are already out.

The only method of protecting American manufacturers, other than ships, consists of a protective tariff. What is that? It is a law by which, under the pretense of collecting taxes for the support of the general government, those taxes are so levied that as little money as can possibly be contrived shall go to the government, and as much as possible shall go into the pockets of a few private persons, for their own use.

Now, if an act were passed, declaring this object on its face, as for example, thus: "Be it enacted, that every person presuming to purchase iron in Europe, shall pay 50 per cent. of its value to D. J. Morrell, and every person buying steel rails in Europe shall pay 100 per cent. of their value to O. W. Potter of Illinois, for the encouragement of the said Morrell & Potter in their laudable industry," such an act would be at once held unconstitutional and void as mere robbery. You could not get even the present Congress, bad as it is, to pass any such statute as that. But when an act is passed which provides for the same amount of taxation, with a full knowledge that the effect of it will be, not to put that sum of money into the government treasury, but to put it into the pockets of Mr. Morrell and Mr. Potter, and with the avowed intent of producing that result; then, not only is such a law held to be perfectly constitutional, but it is considered perfectly proper for Mr. Morrell to get a seat in

Congress and vote, as he did for just such a bill, putting just so much money into his own personal pocket.

Protection is a "blind pool." Few understand what a "blind pool" is; but it is a phrase well understood among speculators. John Smith, for example, having obtained the confidence of a large number of speculators, informs them that he has a scheme in his mind by which enormous profits can be made, but which requires the investment of a large amount of capital on terms of absolute secrecy. If (he says) he were to tell any human being what use he made of the money, not merely when he bought and when he sold, but even what he intended to buy and sell, rival speculators would put up the price of the subject of speculation to such a degree as would make it useless for him to attempt anything. A well-known gentleman in New York, about two years ago, proposed a blind pool of this kind to his friends; and in less than two days over $17,000,000 were subscribed, of which he accepted only $7,000,000, and used it for several months without giving one of the investors a hint as to where the money had gone or when it would come back. In the end, the transaction proved very profitable to all concerned. But, of course, this gentleman acted under many restraints. Not only was his high reputation a guarantee for the propriety of his action, but everybody knew that sooner or later he could be compelled to account for every dollar of the money by legal proceedings, and could, after a reasonable lapse of time, be required to show exactly what he had bought, and at what price, and when and at what price he had sold.

Now, protection is a blind pool of this kind, with three important points of difference.

1. You know nothing whatever of the character or reputation of the men to whom you entrust your money; indeed, you do not even know their names.

2. You not only have no legal right whatever, to enquire

what they have done with your money; but you have an absolute certainty that no such account will ever be given to you or to any one else.

3. Even if the persons who took your money were ever so much inclined to give you an account of the profits made on the transaction, and to tell you what they have done with your money, they could not possibly do it.

Protection consists in a heavy tax levied upon all the people of this country, in a proportion bearing ten times as heavily on the poor as on the rich, under an assurance that, in some mysterious way, a large profit will be made upon these taxes, which will be redistributed among us all in like proportions. We are assured that this heavy taxation is necessary to enable manufacturers to pay high wages to their workmen, that these workmen in their turn will pay good prices to the farmers and shop-keepers for what they eat, drink, and wear, and that thus we shall all make money by being taxed.

Under this assurance, the manufacturers tax you as much as they like; they give to their workmen only just so much as they like; and the workmen pay to the farmers and shop-keepers no more than they can possibly help. Nobody knows exactly what manufacturers receive the benefit of these taxes; nobody knows precisely what profit they make out of them; nobody knows precisely what wages they pay their workmen; everybody knows that they do not pay their workmen a penny more than other employers pay, who get none of these taxes; and there is not in the whole land one human being who could, if he would, show you where one single penny of the benefit positively comes back from these heavy taxes to anybody except a few thousand manufacturers. But, undoubtedly, these manufacturers are honorable men; their intentions are very good; and they assure you continually that their only motive for taxing you so heavily is to pay you larger profits in some mysterious

way, which they do not themselves understand, but which they are quite sure would be satisfactory to you, if you could only understand it.

Now, let me put may hands in your pockets, as you let the protected manufacturers do. You give to them about one-quarter of all that you earn, on the strength of somebody's assurance that you will get it all back with a profit. This "somebody" you do not know. You never did see him, and you never will. You cannot give me the name of any one man who will make that assurance on his own responsibility. He gives you no security; indeed, he does not give you his personal promise. He simply tells you that "it must be so." Now, give to me another quarter of your earnings. I am no anonymous protectionist. I am not a newspaper article without signature, which is really all the guaranty that you have for the return of the quarter of your earnings which you now give up. Give me a quarter of your earnings, and I will give you my written guaranty to use them for your advantage, charging for my services only half the commission that manufacturers do—say 3 per cent. a year. More than that: I will give bonds, signed by some of the wealthiest men in New York, in four times the amount of any money you put in my hands, to account for it and to invest it for your benefit, only reserving the right to use it in my own discretion. Why do you not rise up and accept this offer?

Perhaps you are not entirely satisfied with *me*. Well, I will procure you the same offer from almost any other person whom you may name. I will get a bank to do it for you. Why do you not accept *this* offer? Because, of course, you all know that you would be fools if you did. You know very well that neither I nor any one else can possibly use your earnings to as much advantage for you as you can yourselves. Some surplus money you may be willing to invest; but even then you prefer to lend it out at inter-

est on good security. You would not let any one take your earnings for the mere purpose of speculation, with no other security than a promise that he would give you such part of the profits as he saw fit, in case of his success. Yet you allow one quarter of your earnings to be taken every year for the purpose of speculation, by men who give you no security and not even a promise to divide their profits with you, and whose names you never know, and can never find out. Who says that faith is extinct in the Nineteenth Century?

IV.—WHO PAYS FOR PROTECTION?

Many persons are persuaded that protective duties are either not taxes at all or else are all paid by foreign producers. A western schoolboy declared that the $200,000,000 levied by the tariff were all paid to us by England; and thousands of people, who ought be in school, believe the same thing.

Let us look at this point. In 1881 the duty on the best plate glass was 112 per cent. Glass of this kind, selling in Belgium for $386,000, was imported here, and $437,000 duty was paid upon it. It was then sold here for over $850,000. Who paid the duty? Did the Belgium manufacturer? If he did, then out of $386,000 which was all *he* got for the glass, he paid $437,000 to our government for the privilege of sending it here. In other words, he gave us his glass for *nothing*, when he could have sold it at home for $386,000; and he gave us $51,000 more for leave to do so! On several articles duties were paid over 200 per cent. On this theory the foreign producer gave us the goods for nothing, and paid us a bonus of double the value of the goods to take them off his hands! Let any one believe such nonsense who is silly enough to do so.

But the duties on some things are so heavy that they are not imported at all. That is the case with the cheapest kind of woolen goods, used by the poor. The duty varies from

115 to 200 per cent.; and they do not come here. The American manufacturer charges 70 to 100 per cent. more than the Englishman, and is secured against competition. Who pays that difference? Not the Englishman, because he does not send any such goods, but keeps them all at home. If the American poor man who wears the goods does not pay it no one pays it. But the American manufacturer gets it from *somebody*.

Nothing can be more absurd than such a theory. Occasionally, of course, a foreign manufacturer pays *part* of the duty, when he happens to send goods in a bad season and they sell at a loss. But no foreigner is so foolish as to send his goods constantly to be sold at a loss. After one or two losses, he keeps his goods at home for better times. The great bulk of the tariff tax is paid by our own people.

It cannot be too often repeated that protective taxes are necessarily ten times more burdensome to the poor than to the rich. No man can pay taxes out of anything except what he saves out of his income after paying the cost of his living. If it costs, without taxes, $400 a year to support a family (and that is all that nine-tenths of the American families have to live upon), then the man who earns $500 has $100 out of which to pay taxes, while he whose income is $50,000 has $49,500 for taxation. The present system of taxation takes, on an average, about $80 a year from each, if they live alike, but about $3,000 from the richer man if he spends $15,000 a year. Thus, from every $100 saved by the poor, taxation takes $80. From every $100 saved by the rich and luxurious it takes $8. From every $100 saved by the rich and stingy it takes only 16 cents.

V.—WHO CAN BE PROTECTED BY PROTECTION?

Every one can see that protection against foreign competition can only protect those who are exposed to such competition. No one can ever get any direct benefit from protection

who is engaged in making something which cannot possibly be made abroad, or doing something in America which cannot possibly be done outside of America. Thus, domestic servants cannot get any benefit from the system because our dinners cannot be cooked nor our houses cleaned by people who live in Europe. House builders cannot receive any benefit from protection because a three-story brick house, all complete, cannot be shipped from Europe, just yet. Storekeepers cannot be protected because we cannot buy our goods at retail from European shops. Farmers growing wheat, corn, and other grain cannot be protected because this country raises all the grain that it needs and has an immense surplus every year for export. A little grain comes from Canada, but only to those parts of the United States which are nearer to Canada than to the great grain-producing States. Railroad builders have nothing to gain from protection, because, although rails may be made in England, railroads cannot be made there for us. No one engaged in the business of interior transportation can be protected because nothing can be carried to and fro in our own country by people who do not live in this country. The great mass of manufacturers cannot be protected because their work could not possibly be done anywhere but right here. Professional men, such as ministers, teachers, doctors, lawyers, and the like, must be on the spot in order to render service; therefore protection can do them no good. Clerks and all salesmen and saleswomen, dressmakers, milliners and all persons who make things especially to order or to fit particular persons, can derive no benefit from protection, because their work could not be done anywhere except here. Finally, all persons who are not directly engaged in the production of any particular article for sale, including nearly all women and children, can get no benefit from protection, because whatever work they do is of a kind which could not be done anywhere but at home.

Now, leaving out all these classes, there are not, among the 54,000,000 of people of the United States, as many as 500,000 who can possibly derive any direct benefit from the taxation called "protection." But even this number has to be largely reduced. For all the *direct* benefit of protection goes necessarily to the employers in a few branches of production, namely, the manufacture of metals, cotton, woolen, and silk goods, and some chemicals, and the growing of wool, sugar, rice, and hemp. To allow 50,000 employers as engaged in these branches of protection would be an exaggeration; for the census shows less than 10,000 manufacturing concerns under these heads; but still I am willing to concede that number. This is the outside number of persons who can possibly receive *any* direct benefit from protection.

The whole benefit of protection consists in raising the price of some of these articles by preventing foreign goods of the same kind being imported in such quantities as to cut down the price and reduce the quantity which will be made in America. Now, of course, the whole profit made on this advance in price goes in the first instance into the pockets of the employers. When the goods are sold it is not the workmen who receive the price, but the employers. Thus the direct benefit of the tariff is confined exclusively to these few employers. I know it is said that their profits are and must be divided with the workmen by increasing their wages; but all that I call attention to now is the fact that, in the first instance, the whole profit of the tariff necessarily goes to the employers, and to them alone.

VI.—HOW PROTECTION PROTECTS WAGES.

We have now come in due order to the great point which protectionists make on behalf of their system. They are never weary of claiming that it increases wages. The *American Protectionist* of March 25, 1882, says:

"DOES PROTECTION PROTECT LABOR?—If it does not pro-

tect labor it protects nothing. The only serious difficulty in the way of our manufacturers, in competing with their foreign rivals is, of course, the price they are compelled to pay their workmen."

Let us see, then, how far protection increases wages:

1. It has already been made clear, I trust, that the only way in which protection can increase wages is by giving to the manufacturers of a few classes of goods larger profits, out of which they can, if they choose, pay higher wages. But it is equally clear that there is no law or public sentiment which *compels* them to do so. They pay no greater wages than they are obliged to do by general competition among employers. When the amount of protection is raised they do not increase wages because of that. In July, 1882, the tax on imported socks and other knit goods was raised from 35 per cent. to 80 per cent. Not only did the manufacturers of these goods fail to increase wages, but within four months afterwards they held a conference for the purpose of *cutting down* the wages of their workmen. In 1872 the protection on iron, wool, and cotton goods was *reduced* 10 per cent., and wages were *raised.* In 1875 the protection on these goods was *raised* 11 per cent., and wages were reduced that same year and for four years thereafter. Early in 1880 a strong attempt was made in Congress, with fair prospects of success, to reduce the duty on steel rails from $28 a ton to $10. While this was agitated the steel rail manufacturers paid their workmen higher wages than they had done for five years previously. They kept up these wages until a new Congress was elected which was known to contain a majority of protectionists, who would not allow the steel rail duty to be materially reduced. Just before that Congress assembled the steel-rail manufacturers gave notice to their men of a reduction of wages. About fifteen months afterwards another attempt was made to reduce the duty on steel rails, and as soon as that was defeated the

manufacturers gave notice of another and a larger reduction of wages. On the other hand, in 1879, all the tax on imported quinine was suddenly abolished. So far from reducing wages, the quinine manufacturers soon afterwards increased them, and largely increased their own production of quinine. These are *facts;* and protectionists are never weary of telling you that an ounce of facts is worth a ton of theory.

Take another class of facts, applicable to a wide range of manufacturers. The highest tariff taxes upon iron that were ever known in this country were levied from 1828 to 1840. During that period, as the manufacturers testified before a protectionist committee of Congress, they made no increase of wages whatever. Between 1840 and 1842 the duties on iron were reduced, with no perceptible effect upon wages. In the middle of 1842 the duties were more than doubled, and remained high until December, 1846. Official inquiries being made in the autumn of 1845, not one manufacturer pretended that he had increased wages. In December, 1846, the duties were cut down about one-third, and so remained until July, 1857. The manufacturers during that period very largely *increased* wages in the iron trade as well as in every other. There never was before, and there never has been since, so rapid an advance in the wages of manufacturing workmen of all classes, estimated in gold value, as between 1846 and 1860; during which time the tariff taxes were lower than they have ever been at any other time since 1812.

2. The census of 1880 shows conclusively that the highest wages are paid by those employers who are not, and cannot be, benefited by protection, and that the lowest wages are paid by the protected classes. The average annual wages of all the persons employed in manufactures were $346. The average wages of employés in the protected cotton manufacture were $244, in the protected woolen manufacture

$293, and in the protected silk manufacture $292; all being below the general average. On the other hand, the average is raised by the high wages paid in innumerable other branches of manufacture, all of which are oppressed and dragged down by the heavy taxes which the tariff lays upon their raw materials.

Even in the iron manufacture, where women and children cannot be employed, and where, therefore, wages average higher, the census shows that the average wages of iron workers were only $1.25 a day, while the unprotected carpenters all over the country earned from $1.50 to $2.50, and even farm hands earned an average of nearly $1.50 per day.

Thus the census returns (which, it must always be remembered, are made up from statements of the manufacturers themselves, whose interest it is to show a different state of facts) clearly establish that the more protection is given to any class, the less wages that class pays to its workmen.

3. But it is constantly said that at any rate wages in this country are higher than in England, and that this is due to protection.

Now, nothing can be more clear than that protection never helped to make wages higher in this country than in England, because it is a fact, perfectly well established, that there was more difference between mechanics' wages in England and in this country *before* we had a protective tariff, than there is to-day. In a statement made to the tariff commission by a strong protectionist, who manufactures the same goods both in Ireland and New Jersey, he admitted that, under our present stringent protective system, the wages of the workmen whom he employs in his American factory have been steadily going down, while the wages of the workmen whom he employs in his Irish factory have been steadily going up.

4. While it is true, that wages generally are higher in this country than in England, it is not true, that they are

higher in all the protected industries. On the contrary, one of the results of the twenty-two years of steady protection, which the cotton and woolen manufacturers have had, has been that the employers have finally succeeded in cutting down wages in this country below the rates paid in England. An official report on these manufactures, issued by the state department in October, 1882, states that the wages paid on an average in England, which compared with those paid in America, for the same number of hours' work, show the following result :

WAGES PAID FOR 52 WEEKS OF 64 HOURS EACH.

	In England.	In America.
Cotton Manufactures,	$286	$244
Woolen "	294	293

Thus it will be seen that already protection has attained its greatest triumph, and accomplished the purpose for which, in fact, it was intended, that of cutting down the wages of the American operative to a point lower than that of the Englishman. But even these figures do not show all that has been accomplished. For they show the English wages in 1881, and the American wages in the spring of 1880. Since that time American wages have been reduced, and English wages have been raised.

An English expert, who examined the whole subject carefully in 1879, found that American workmen in cotton mills did about 25 per cent. more work than English workmen did for the same money.

Surely protection has been an incalculable blessing to the poor working people in the cotton and woolen factories of New England !

Of course, it will be said in answer to all this : " Why do English workmen come to the cotton and woolen mills of this country, if they get lower wages here than at home ? " The answer is very simple. They do not come. The cotton

and woolen mills import Swedes, Irish, and Canadians; but the English emigration stopped long ago; and thousands of English workmen, who were attracted by the higher wages of ten years ago, have already gone back or gone into other work.

5. But, as usual, the most conclusive answer to the whole claim made for protection on the wages question is to be found in the statements of the protectionist organs. The New York Industrial League, the largest protectionist organization outside of Pennsylvania, employed Mr. Charles S. Hill, of the State Department, to prepare statistics and an address for the Tariff Commission. In this document, which was endorsed by the League, and triumphantly published by their organ, *The American Protectionist*, it is explicitly stated that the workmen employed by American manufacturers produce, on the average, 100 per cent. more than those employed by English manufacturers, man for man. It is not claimed, even in this paper, that American wages average more than 50 per cent. higher than English wages, all 'round; and not only do the facts already stated show that there is no such difference, but even the report of that packed and bigoted protectionist body, the late Tariff Commission, admits that the difference between English and American wages in cotton, woolen, linen, and silk manufactures, is very small. No one can honestly claim that manufacturing wages are, on the average, more than 25 per cent. higher here than in England. If then our workmen produce, man for man, even 50 per cent. more than the English, is it not clear that wages are practically 25 per cent. cheaper here than in England?

There is no doubt that this conclusion, startling as it may seem, is entirely correct. This is a country of hard work. The average working hours of an English workman are 54 to 56 a week. The average hours of American workmen are 64 to 69 a week. The same class of merchants that in

England attend at their offices on an average six or seven hours a day, with a half holiday on Saturdays, will be found at their offices in America every day, Saturdays included, for ten hours in the dull seasons and fifteen hours in the busy ones. All classes of business men here, whether employers or employed, work harder and faster than the same classes in England. The very same man who in Manchester cannot be persuaded to run more than three looms at once, will manage five in Lowell; and he who in Lancashire runs five looms, will run eight in Fall River. For this increase of 60 per cent. in their work they get, at the utmost, 20 per cent. advance in their wages. It is a well-known fact that, a few years ago, bricklayers in Lancashire were forbidden by their trades-unions to lay more than 1,000 brick per day, and that the same men came to New York and laid easily 3,000 brick per day. Their New York employers paid them double their old wages, and even then got their work practically 30 per cent. cheaper than the English employers.

VII.—HOW PROTECTION PROTECTS MANUFACTURERS.

Protection does not even protect the manufacturers as a class. It cannot possibly protect more than a few. Most of the manufacturers know that it does nothing for them directly any more than for farmers, because it is not possible for as much as one-eighth of all the manufactured goods that we use to be manufactured abroad. In 1880 it appears by the census that the total manufactures of this country amounted to about $5,400,000,000. All the manufactures that were imported from abroad in the same year did not exceed in value $300,000,000. So the home manufactures were eighteen time as large as the imported ones. If all tariffs were abolished the manufacturers of Europe could not possibly send us more than twice the amount which they now send; and all the rest of the goods that we want

would have to be made here just as they are now. Indeed the vast mass of manufactured goods could not be made anywhere else. Tariff or no tariff, our flour and other manufactures of agricultural produce would be made here, and so would our houses and furniture and most of our clothes and food. There are not factories enough in the world, outside of our own country, to make all the iron and steel or all the woolen and cotton goods that we need. And as not more than one-eighth of the manufactures needed by the country could ever be imported, it follows that seven-eighths of the manufactures cannot possibly be benefited by protection.

But even as to the one-eighth of the manufacturers who think they are benefited by protection, they are almost always mistaken. They have to pay so many taxes upon the things which they use, that the higher prices which they obtain by reason of protection on things which they sell are generally of no profit to them.

The iron manufacture affords one of the very best illustrations of this truth. It has had prosperous periods both under low tariffs and high tariffs; and it has had some bad times under low tariffs; but much worse times under the present high tariff. Now, whenever the present high tariff has succeeded in shutting out foreign iron, which is the very thing for which the tariff was created, the iron manufacturers have been nearly ruined. And whenever the American iron manufacturers have been prosperous, the quantity of foreign iron that has been imported, in proportion to the whole amount used in the country, has been larger than it was in the days of low tariff. Thus, in 1860, the tariff tax on pig and scrap iron was $2.50 to $3 per ton; and the importation of foreign iron was only 8 per cent. of the amount made here. In 1880 the tariff tax was $7 and $8; and the amount imported from abroad was 33 per cent. of the amount made here. Now, there were five

or six years, during which this high duty was maintained, in which the importation of foreign iron was cut down to almost nothing; but during all those years the iron manufacture was in a most depressed and miserable condition; one-third of the furnaces being closed, and half the workmen turned adrift without any wages at all.

The manufacture of woolen goods affords another illustration. It has always been grievously injured by a heavy tax on wool. Woolen goods are "protected" (that is, taxed), by a duty of 50 to 100 per cent.; but wool is also taxed at about the same rate, and machinery used in the manufacture is taxed 45 per cent. Now, it is impossible to manufacture first-class real woolen goods without mixing in them more or less of foreign wool. American wools will answer for a limited class of purposes; but for some other purposes they are, taken alone, of no good at all. The one great reason that has always been advanced for protecting our woolen manufactures is that we ought to keep out English shoddy goods. The result of protection is that the woolen manufacturers of this country, being hindered by protection from getting real wool, use more shoddy and cotton in place of wool than any other manufacturers in the world. Real woolen goods are almost unknown here. First-class cloth is not made here at all. For every pound of wool in American woolen goods, there is an average of three-quarters of a pound of cotton and shoddy. There is no fraud in the world greater than American cloth. This is shown by the census returns, made up by the manufacturers themselves.

The worsted manufacture was created in this country by the free trade tariff of 1857, which gave it cheap wool. It was killed by another tariff, increasing the duty on woolen goods, but increasing it on wool also. It was finally revived by still another tariff, which gave a special increase of duty on worsted goods. But the worsted manufacturers them-

selves admit that they could make just as much money without any tariff on their manufactures as they do now, if they could have free wool. Consequently, poor people all through the United States have to be content with two pairs of stockings, when they could just as well have three, in order to keep up a protection which does no good, even to the stocking manufacturers.

The wool-growers and wool-manufacturers agreed, in 1867, upon a special tariff, which they framed as skillfully as they knew how, so as to enable them both to rob the rest of the country to their own advantage. This tariff raised the tax very greatly on both wool and woolens. The result was the immediate destruction of several branches of woolen manufactures, which could not be carried out without Canadian and other foreign wools. This was followed by general depression of the woolen manufacture for six years, until 1873, and then absolute ruin for the next six years, until 1879.

Were wool-growers any better off? Immediately after the passage of this tariff the price of American wool fell in the market, because it could not be used without foreign wool, and the farmers slaughtered their sheep by millions. There never were so many sheep or so much wool raised in this country, for fourteen years after the adoption of this high tariff, as there were in the year before. We have just now got back to the point in wool production from which we started in 1867. But more than that, it is worth while to notice *how* we got back. The tariff of 1867 was passed entirely at the instance of wool-growers in States lying east of the Missouri and north of the Ohio river. There are not to-day half as many sheep nor half as much wool raised in those States as there were before the tariff of 1867. Two-thirds of the sheep now raised in America are raised in Texas, New Mexico, Arizona, and California, which nobody thought or cared about in 1867 as sheep raising districts, and the people of which did not then, and do not now, ask

for protection. Every single member of Congress, from the districts which raise two-thirds of all the American wool, would consent to-day to strike off the duties on both wool and woolens. But the people of New York, Vermont, and Ohio, who are raising but few sheep of comparatively trifling value, insist on maintaining this tax upon themselves and the whole country.

A large manufacturer in New York lately sent me word that I was perfectly right in principle, but that *his* business would be ruined if protection were abolished. Knowing exactly what his business consisted of, I calculated the benefit which he derived from the tariff. Nearly everything that he uses in his business is taxed from thirty-five to forty-five per cent. Not a single thing which he produces is protected by a duty of more than twenty-five per cent. Scarcely anything that he makes could ever be imported if the tariff were entirely abolished. He is, therefore, in fact about twenty per cent. worse off for having any tariff at all. This is a very common case among manufacturers. The duty on their machinery is forty-five per cent. The articles which they produce with that machinery are often only protected by duties from twenty-five to thirty-five per cent. So with machinery itself; while the protective duty on the steel, of which machinery is made, is sixty per cent., the duty on machinery is only forty-five per cent.

Protection that will really protect is only possible on condition of limiting it to a very few specified classes of manufactures. Extended to everybody, it injures all and benefits none. But it is impossible, in a free country, to maintain a really protective tariff of this nature. So much jealousy would be excited by it, that it would soon break down. The consequence is, that all that we have, or ever can have, in the way of protection, consists of keeping up duties which counterbalance each other, with the result of establishing a wildly confused system, under which, by lucky chance of

skillful fraud, a few manufacturers, who can buy their way through Congress, derive some profit at the expense of all the rest of the community, and especially of other manufacturers, who help them to sustain a tariff under the delusion that they are themselves profiting by it.

WOULD FREE TRADE DESTROY MANUFACTURING? *

The census of 1880 shows that the manufactures of the United States were worth, in that year, $5,370,000,000. Our entire importation of foreign manufactures, for the same year, although much larger than usual, amounted to the value of only $300,000,000. Even if we add fifty per cent. for duties and freights, that would only make the value of the foreign goods used here 450 millions, against 5,400 millions of domestic goods; thus showing that only one-thirteenth of all the manufactures used here came from abroad. These came almost exclusively from England, France, Belgium, and Germany, and chiefly from England. Now, in average years, each of those countries exports to other countries more than ten times as much as it sends to the United States. For several years before 1880, they sent only one-fifteenth of their exports to us. In 1880, they sent about one-eighth; and this sudden increase raised prices with them so greatly that they could not supply half our demands. Their total exports of all things, to all countries, in 1880, amounted to only about 3,000 millions. If, therefore, they had poured all the things which they produced upon us, abandoning commerce with all the rest of the world, they could not have supplied us with half the things that we need; and where would prices have gone to under such circumstances? The whole idea is absurd. It would be impossible for all Europe to spare us 750 millions' worth of manufactured goods within the next twelve months if our whole tariff were abolished to-morrow. This would

* By Thomas G. Shearman, Esq., of New York. Issued by Free Trade Club.

not be enough to supply the place of one-tenth of our manufactures, because we now take 300 millions' worth from Europe, and yet need all the factories that we have.

Again, we import scarcely anything from Europe in an entirely finished state. At least nine-tenths of all manufactured articles that we take from Europe consist of goods to be made up by manufacturers here. European manufacturers do not and cannot make our clothes, furniture, and other supplies for actual use, to any great extent. If our manufactures stopped, the importations would stop at once. European manufacturers sell almost exclusively to manufacturers here, so far as they sell to America at all. Pottery is almost the only important exception to this rule; and that is only a trifling item. The official report for 1881 shows that less than $40,000,000 worth of goods ready for use were imported from Europe (including books, but not liquors and cigars), being, as already stated, less than one-seventh of the imported manufactures, and less than one-sixteenth of all the imports. It is therefore impossible that free trade should shut up our manufacturing establishments, because those are practically the only customers for foreign manufacturers.

And from this fact it will be seen what folly it is to "protect" our manufacturers by taxing the very things which they need as materials for manufacture. Materials cost sixty or seventy per cent. of the whole outlay of American manufacturers. Manufacturers and mechanics import nine-tenths of all the foreign manufactures which come into the country, and yet think it necessary for their own protection to make their own materials cost forty or fifty per cent. more than the English manufacturer pays for the same things.

The truth is that the tariff, which is commonly supposed to be the mainstay of our manufacturing industries, is their greatest burden. It takes more money out of the pockets

of manufacturers than of any other class. Its "fostering influence" strangles more manufacturing industries than it helps. Look at a few figures. In 1881, the total importation of iron was valued at $33,000,000. Of this amount, only $75,000 consisted of goods which are described in the official list as fit for family use. $2,500 worth were used for ship supplies. Chains, to the value of $110,000, might possibly be used by farmers without further manufacture. Railroad bars and supplies amounted to the value of $4,120,000. All the rest, so far as can be ascertained, consisted of articles used exclusively for manufacturing purposes, of the value of over $28,000,000. And, which is the most absurd feature of all, more than $24,000,000 of the whole $33,000,000 were used exclusively in the home manufacture of iron itself! Thus, out of the $12,000,000 taxes laid on imported iron, the iron manufacturers themselves paid about $9,000,000, showing that the tariff did them at least three times as much harm as good. And, reckoning the construction of railroads as a branch of manufacture, as it is, about ninety-nine per cent. of the whole tax on iron was taken from manufacturers of some sort. But, even excluding railroad builders, eighty-five per cent. of the whole tax was paid by manufacturers.

Take steel. It was imported in 1881 to the value of nearly $18,500,000, and paid $9,347,000 for duties. All the articles enumerated in the official list, which could be used for any other than manufacturing purposes, were cutlery, fire-arms, and skates, valued at $3,157,000, and paying a tax of $1,304,000. Thus seven-eighths of the taxes on steel fell upon constructive industry.

Tin paid $4,195,000 in taxes, of which $4,148,000 were paid by tin manufacturers themselves.

Wood paid $1,536,000, of which $1,145,000 fell upon wood manufacturers.

Wool and woolen goods paid $27,285,000 taxes, of which

only $2,673,000 were paid on finished goods, such as carpets, blankets, hosiery, and clothing, ready for actual use. Manufacturers, including tailors, paid about $24,612,000, or over nine-tenths of the whole tax.

Taking these branches of manufacture together (and they are among the most clamorous for "protection"), we find that the total amount of duties imposed upon them for protective purposes, in 1881, was $54,478,878, of which over $50,000,000 were paid by manufacturers themselves, including railroad builders, or nearly $43,300,000, excluding railroad builders. Thus the figures prove the truth of our first statement, that nine-tenths of the burden of protection falls, in the first instance, upon manufacturers and mechanics.

And yet we are constantly told that nothing but this system of taxation keeps these very manufacturers employed, and that, if we cease to heap taxes of forty, fifty, and one hundred per cent. upon the materials which they use in their shops, those shops will instantly close and the whole country go to ruin. Never was greater nonsense offered in the name of argument.

CHAPTER XIV.

THE NECESSARY FOUNDATIONS OF INDIVIDUAL AND NATIONAL WELL-BEING, AND OF CIVILIZATION.

By Henry Carey Baird.*

PERMIT me to direct your attention this evening to the theme, The Necessary Foundations of Individual and National Well-Being, and of Civilization.

UNSETTLED CONDITION OF POLITICAL ECONOMY.

To hear a certain school of political economists and their followers, here and in England, dogmatically lay down the law, and even insist that the case was closed, one would hardly imagine that their dogmatisms came within a department of knowledge in which nothing whatsoever was placed beyond dispute. But in political economy not even the definition of a single important word—political economy itself, for instance—is settled. In 1844, De Quincey, a believer in Ricardo's Theory of Rent, one of the orthodox principles, said of political economy: "Nothing can be postulated, nothing can be demonstrated, for anarchy even as to the earliest principles is predominant."

Nothing is to be taken for granted. This fact cannot be too distinctly impressed upon your minds and memories. The professors are not even agreed as to whether it is a

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*Extract from Lecture delivered before the Brooklyn Revenue Reform Club, February 28, 1883.

science or an art, or a combination of both, or upon the proper and legitimate range of the subject. Therefore is it that they are *ab initio* morally debarred from the practice of dogmatism; and yet with all of these causes, impelling toward modesty, the average political economist is seemingly more confident in his opinions, and certainly more overbearing and arrogant in the expression of them, than any other manner of man to be found in any community. Among the believers in England in what arrogates to itself the name of free trade—merely free foreign trade—for instance, disbelief in this fetich, is regarded, *ipso facto*, as an evidence of such ignorance in the disbeliever, that it is considered as useless as it is hopeless to argue the question with him; and he is then and there put down with the expression of opinion that the argument is complete and the question decided, and that he is an ignoramus if he does not know and recognize these facts. It need hardly be urged that this is not the spirit in which to approach the investigation of truth. Indeed, the existence of this spirit is proof conclusive that these philosophers and their followers lack full faith in the truth of the doctrines which they would thus, without reason, force upon the acceptance of mankind.

For myself, coming here as I do, a believer in and a representative of that noblest of all the sciences, the *scientia scientiarum*, the American, or, if you please, the Pennsylvania System of Social Science, founded by my late kinsman, Henry C. Carey, I have emphatically to say, that I come not as an apologist for protection, or for the science upon which it rests. I stand not on the defensive; but I assume the aggressive. This aggression shall strike at the very roots of the system of political economy, the "dismal science" of Carlyle, or more properly of Robert Southey, upon which is built the huge and arrogant superstructure falsely denominated free trade; and I shall do this at the outset of my discourse.

THE PENNSYLVANIA SYSTEM OF SOCIAL SCIENCE.

How is it with the Pennsylvania system? Has it been content with theories based on assumptions, or has it examined facts and analyzed the movements of society, and from these developed laws? It has given us the true law of the occupation of the earth, and that of population, both based upon the observation of facts, the law of value, which latter is not found in the cost of an article, but in that of reproduction, value being a measure of the resistance to be overcome in getting possession of the thing desired. Thus, with all improvements in modes of production, existing things decline in value compared with man, labor becomes more efficient; and a larger proportion of a larger product goes to labor, whose lot thereby becomes in all advancing communities a steadily improving one. This law of distribution is one which introduces both harmony and happiness into the future of the human race.

ASSOCIATION.

But the fundamental law of this system, the one which lies at the basis of all society, the most important condition governing man, still remains to be stated; and is so self-evident that its statement alone is necessary to carry conviction as to its truth, and its far-reaching effects, to every candid, unbiased, and intelligent mind. "Man, the molecule of society," says Carey, "is the subject of social science. Like all other animals, he requires food and sleep; but his greatest need is that of association with his fellow-men. Born the most helpless of animals, he requires the largest care in infancy. Capable of acquiring the highest degree of knowledge, he is yet destitute of the instinct of the bee, the beaver, and other animals. Dependent for all his knowledge on the experience of himself or others, he needs language for the interchange of thought; and there can be no language without association. Isolate him and he loses the

power of speech, and with it the reasoning faculty; restore him to society, and with the return of speech he becomes again the reasoning man."

Here is the pivotal point, the controlling law of man's existence, no one being sufficient unto himself; and the further he advances in culture and civilization the greater his dependence upon his fellow-men, this dependence being in fact at once a measure and a test of his civilization. In the early stages of society, and in isolated communities, there is but little societary life; and there man is dependent upon a comparatively few people; while in a city like London, Paris, New York, or Philadelphia, there are many thousands of individuals, each of whom daily calls for the services of millions of men. Indeed, there are few persons here present who do not do this—the purchaser of a copy of the *Herald*, *Tribune*, or *Sun*, thereby calling for the services of the millions of men who have in any way contributed to the production of one of these papers, even so remotely as by making the materials of which the railroads or telegraphs have been constructed—by means of which the raw materials and news have been conveyed—all the way through from the smelters of the metals, in the machinery used in its production, to the makers of the paper and the type, and to the compositors, pressmen, editors, etc.

That there may be association there must be differences among those composing a community, and the greater these differences the more instant the demand for labor power, the most perishable of all commodities, which must be consumed on the instant of its production, or it is lost forever. The measure and test of the power and wealth of any community or country is found in the proportion of its labor power which is not wasted—more being wasted in every country than is utilized.

"The more imperfect a being," says Goethe, "the more do its parts resemble each other, and the more do the parts

resemble the whole. The more perfect a being, the more dissimilar are the parts. In the former case, the parts are more or less a repetition of the whole; in the latter they are totally unlike the whole. The more the parts resemble each other, the less is the subordination of one to the other, subordination of parts indicating a high grade of organization." "Life being a mutual exchange of relations," says Carey, "where difference does not exist, exchanges cannot take place; and the development of individuality has ever been in the ratio of the power of man to combine with his fellow-men."

THE NECESSITY FOR DIVERSIFIED INDUSTRIES.

Just here and for these reasons, as may well be seen, comes in the imperative necessity for diversified industries, without which no country is now, nor has it ever been rich, because of its great waste of labor power, and in exact proportion to this diversification of industries is a country rich, powerful, and independent. Let us not be diverted from the contemplation of this great fact by the mere discussion of prices, which only befogs the case—an article bought abroad being dear at any price, when the labor is being wasted at home, which could and would have produced it, had it not thus been bought. Thus is it that agriculture can only flourish where the plow, the loom, and the anvil, work in harmony, the one with the others. Without consumers near the farm the productions of the latter must be limited to those few articles, such as wheat, corn, rye, cotton, tobacco, etc., which will bear transportation to a distance, and which are so exhausting to the soil, and made still more so by being consumed away from the farm; thus, while the farmer is being ground under the tax of transportation, there can be no proper rotation of crops, and the result to the soil in this country, and especially in the South, is such that the Hon. Chas. J. Faulkner of Virginia, felt constrained in 1858 to say:

"During the past summer I heard an opinion expressed by Professor Henry, the distinguished Secretary of the Smithsonian Institute, which struck me at the moment as extravagant, but which a little reflection satisfied me was founded upon the strong probabilities of truth. It was that there was more wealth invested in our soil in fertilizing matter at the moment this continent was discovered by Columbus, than there is at present above the surface in improvements and all other investments. . . . The fertility which ages had accumulated upon its surface has been the capital upon which the farmer has been drawing with reckless prodigality from the first settlement of the country."

Only with a diversification of employments, and when the consumer is brought to the side of the producer, and the power of association thus becomes great, and wealth increases, is it that the richer soils are brought under cultivation. When these industries decline, men are driven back from the richer to the poorer soils, as in India, Turkey, and Ireland; and only in purely agricultural countries is it that famines take place. These really result not from an absence of food, but from want of the means of procuring it. In 1847, during the famine in Ireland, from which one million of people perished, Ireland was still a large exporter of food to England. That unhappy country is kept in a chronic state of pauperism, anarchy, and barbarism because of an absence of diversified industries, and of the power of association, which can come from them alone.

THE PART PLAYED BY GREAT INDUSTRIES IN THE SCCIAL ECONOMY.

Every important industry existing in a country becomes incorporated into, and a part of the very marrow and texture of the societary life of that country; acting like a prime mover, or rather like a great heart, giving and receiving at every moment, at every pulsation, new, invigorating and regenerating life and power. The animal organism has but one heart, but the societary one may be said to have as

many as there are important industries in it; and as these industries increase in number, these great hearts also increase in number, and as they gain in vigor they impart this vigor to society, which is but another name for ASSOCIATION —to which these industries are as necessary as are the heart and the circulation of the blood to the animal organism.

So great, so complicated, so far-reaching are the ramifications of the effects of the pulsations of these great industrial hearts to society, that thoroughly and completely to analyze and follow up the ebb and flow from and to one of them, is beyond the power and capacity of the human mind. Permit me, however, for a few moments to direct your attention, inadequately though it be, to some of these phenomena connected with a single industry in giving motion and life to society. I refer to the American Bessemer steel-rail manufacture, at once the crown and glory, and the practical vindication of the protective policy in the United States within the past decade and a half, and the true and unerring guide to national industrial legislation—Professors Perry and Sumner, and those great statesmen in Congress, Messrs. Beck, Carlisle, Tucker, and Morgan, to the contrary notwithstanding.

The rail-roller in a Bessemer rail mill, who receives the steel in order to heat it and put it through the rolls, receives therefor wages which he expends for fuel, food, clothing, shelter, etc. This expenditure gives vitality to the business of the butcher, the baker, the miller, the dry-goods dealer, the coal dealer, etc., etc., and to the investment of the owner of real estate, and through these several persons to the farmer who raises cattle, sheep, wheat, rye, corn, vegetables, milk, butter, fruit, etc.; to the coal operator and thence to his miners and laborers; the raisers of horses and mules, and the feed for these latter; to railroads and other carriers, thence to the manufacturers of cotton and woolen fabrics and their workmen, and the producers of raw cotton and wool; the importers of tea, coffee, and sugar, and the re-

finers of this latter; and from all of these back and through each other, in a ceaseless round of acts of association, the threads of the multitudinous ramifications of which it is as impossible to gather and trace as would be an attempt to count the sands on the sea-shore.

Here I have merely attempted to indicate the direction in which we may look in order to analyze these movements, and nothing more; beginning and ending with the roller of rails, not attempting to go through the same process with the owner of the Bessemer works; the men who have made the steel itself; the bricklayers, carpenters, iron and steel workers, laborers, etc., who have built these works; the lumbermen and brick-makers who have furnished materials; the manufacturers who have produced the pig iron, the miners and quarrymen who have furnished the iron, coal, and limestone; the transporters of all these materials, and countless others who have more or less labored with mind and body to start and keep in motion this great industry, and those others on which it has drawn, and the other millions of men, women, and children who have in one way or another ministered to their wants.

THE ENTIRE COST OF SUCH RAILS

as these is but a utilization of labor which would have gone to waste, or of raw materials which would have had no value but for this industry—coal, for instance, in the ground on an undeveloped tract not being worth one cent a ton. The commerce which is set in motion by such an industry is in the aggregate many times as large as its own volume, thereby assisting millions of men in the work of complying with the paramount and controlling condition of their nature, and upon which their prosperity, civilization, and happiness depend,—that of association,—exchanging commodities, services, and ideas with their fellow-men. Transfer the present demand for this commodity to Great Britain,

and to it also is transferred the power of association which accompanies it, involving thereby a decline in the demand for American services, commodities, and ideas, and of national wealth and power.

This analysis, inadequate though it be, in showing the wide dissemination of the vitalizing influences which flow from a magnificent industry such as this, at least exposes the utter absurdity of the narrow, fallacious, and malignant attacks of the free foreign trader when he treats such industries wholly and solely as means of enriching the heads of the concerns, and them only. A practical illustration of how general is the benefit which flows from such industries, how thorough the solidarity of great interests, is found in the fact that the whole of the last annual dividends of the Pennsylvania Railroad Company—of $6,890,000—are more than represented in the sums paid to that company by four Bessemer steel and iron manufacturing works on the line of the road, for freights.

THE FARMER AS AN EXTORTIONER.

But practically the greatest extortioner in the land under this theory, with the present protective tariff, is the farmer, who has made us more independent of the rest of the world than any other American producer, and *for this very reason*, and who for the crops of 1881 levied taxes upon his poor and unfortunate victims as in the table.

Here is extortion for you! Only $1,780,000 of duties collected by the Government, and $264,000,000, or one hundred and fifty-five times as much taxation, levied upon the people by the farmer! Had I selected the crops of these products in 1880, which were nearly one-third larger, although they produced $128,000,000 less, absurd as it may appear, I should have been able, by following the logic of Prof. Perry, to have shown an extortion of $88,000,000 greater!

Table showing the amount of imports and domestic productions of Cereals and Potatoes for the year 1881, *with duties and amounts paid into the Treasury, with the amount of bounties paid to the farmer.*

Articles.	Quantity Imported.	Rate of Duty.	Revenue received by Government.	Home Products.	Enhanced Amount Paid to Farmer Monopolists.
	Bushels.	Per Bu.		Bushels.	
Corn,	75,162	10c.	$7,516.20	1,194,916,000	$119,491,600.00
Wheat,	10,583	20c.	2,116.66	383,280,090	76,656,018.00
Oats,	65,276	10c.	6,527.68	416,481,000	41,648,100.00
Barley,	9,590,938	15c.	1,438,640.80	41,161,330	6,774,190.50
Rye,	4,680	15c.	702.00	20,704,950	3,105,742.50
Buckwheat,	4,159	10 p. c. = 4.07c.	198.83	9,486,200	386,088.34
Potatoes,	2,168,049	15c.	325,207.46	109,145,494	16,371,824.10
			$1,780,909.63		$264,433,563.44

AMERICAN BLANKETS.

Prof. Perry makes a strong case against the American producer of blankets, but this is readily explained when you remember that my very able friend, Prof. Denslow of Chicago, exhibited to you here some weeks ago an English and an American blanket, the former invoiced at seventy-nine cents a pound in England, and the latter, quite equal in quality, worth seventy-eight cents in Chicago. Thus is it that, having so nearly achieved industrial independence in the article of blankets that Prof. Perry is enabled to figure out a tax on the consumer of $1,058,000, while the Government only got $1,058 in duties. Had the price of American blankets been double what it was, and the domestic supply but one-tenth, the extortion would have been but one-tenth. This glorious muddle, by virtue of which the cheaper a domestic product and the more it is enabled to drive out the foreign the greater the extortion, is indeed a profound principle of social philosophy, and one which is deservedly made the guiding star of the Becks, the Coxes, the Morrisons, the

McKenzies, the Kassons, and the other great American statesmen who, by means of this light, become so eminently qualified to direct the destinies of a nation of over 50,000,000 of people.

The prices of things depend upon the cost of reproduction and upon the volume of products compared with demand, and this volume of product is itself stimulated or depressed by the relation of the prices obtained to the cost of reproduction—an absence of remunerative demand, causing sooner or later a decline in the volume of production.

EFFECT OF PRODUCTION ON PRICES.

The influence of the volume of production on prices was never more strikingly illustrated than in the following letter from Mr. J. R. Dodge, Statistician of the Department of Agriculture, to the Hon. George B. Loring, Commissioner of Agriculture, in response to a letter of my own in January last:

U. S. DEPARTMENT OF AGRICULTURE,
DIVISION OF STATISTICS,
WASHINGTON, January 17, 1883.

Sir: The request of Mr. Henry C. Baird for comparison of products and prices of cereals in 1880 and 1881, the former a year of great abundance, the latter the worst for production in recent times, affords opportunity for instructive comparison of the effect of production upon price.

It will be seen that the crops which were comparative failures in 1881, produced more money than the large crops of 1880. This is in part the legitimate result of increased value from relative scarcity, in accordance with the law of supply and demand, and to some extent the effect of speculation, of forestalling and "cornering," for which the small stocks furnished temptations and opportunity.

The rise in the corn was about sixty per cent., a greater difference than in the quantities. Unlike wheat, more than a third of which is exported, corn is little affected by foreign demand, as the maximum of exportation is only six per cent. The home demand therefore rules in the price of this cereal.

The crop of oats was an average one, the sole exception in

cereals of the year. Why did the price advance from thirty-six to forty-six cents? Simply because oats can be used interchangeably with maize within certain limits. But it could not advance equally with that cereal, because its uses are not identical.

Wheat comes under different conditions. It goes in with the product of Europe, India, Egypt, and the shortage of the grand aggregate governs the price rather than the shortage in this country. It has happened that a very large crop has brought a large price per bushel, and a small crop a medium price. In one case the surplus of this country was all wanted to supply heavy deficiencies elsewhere; in the other, a smaller surplus was in less demand abroad. And this apparent anomaly was thus strictly and truly the natural result of the commercial law of demand.

The following table gives the quantities and values, the prices being the average for the United States of the crop in the hands of farmers on the first day of December:

1880.

Crops.	Bushels.	Value.	Price per Bushel.
Corn,	1,717,434,543	$679,714,499	$0 39.6—
Wheat,	498,549,868	474,201,850	95.1+
Oats,	417,885,380	150,243,565	36. —
Barley,	45,165,346	30,090,742	66.6+
Rye,	24,540,829	18,564,560	75.6+
Buckwheat,	14,617,535	8,682,488	59.4—
Potatoes,	167,659,570	81,062,214	48.3+
Total,	2,885,853,071	$1,442,559,918	.....

1881.

Crops.	Bushels.	Value.	Price per Bushel.
Corn,	1,194,916,000	$759,482,170	$0 63.6—
Wheat,	383,280,090	456,880,427	1 19.3+
Oats,	416,481,000	193,198,970	46.4—
Barley,	41,161,330	33,862,513	82.3—
Rye,	20,704,950	19,327,415	93.3+
Buckwheat,	9,486,200	8,205,705	86.5+
Potatoes,	109,145,494	99,291,341	90.9—
Total,	2,175,175,064	$1,570,248,541	.....

A study of quantities and prices of the past ten years, on the basis of the estimates of this department, will afford much information concerning the fluctuations of production and resultant changes in values, and incidentally present very strong evidence of the substantial accuracy of the estimates, showing very conclusively also the absolute necessity of annual statistics of production.

Respectfully,

J. R. DODGE,

HON. GEORGE B. LORING. *Statistician.*

PROFESSOR PERRY ANSWERED.

To me it seems that the facts and the reasoning which I have presented against the doctrine of Professor Perry and his school regarding prices, are conclusive, and that this letter in regard to the seven crops named settles the question beyond dispute. Not merely have I shown stimulation of domestic production to be an accompaniment of protection, and that it keeps down price, in the face of a great increase in the power of consumption, but that this domestic production is largely destroyed under free foreign trade, and is not compensated for by foreign supply, when even with a great decline in the power of consumption, prices advance beyond what they were under protection. Further, I have accounted for these phenomena by the statement of the quantities and values of the great food crops of the United States; those of 1881, which were twenty-five per cent. less in quantity, producing eight per cent. more money than the larger ones of 1880. So great is the influence of supply on price, that had we never established the Bessemer rail industry, which we would not have done without protection, but depended wholly on Great Britain for our supply, even though our power of consumption had been far less, the price would have unquestionably been greater; indeed, it is quite probable on the principles developed by the facts shown in regard to the quantities and prices of the American food crops of 1880 and 1881, that the British product

of steel rails, had it, in 1881, reached even 1,500,000 tons, would under such circumstances have produced a larger aggregate sum of money than the combined British and American product of 2,211,510 tons of that year. I have also demonstrated the narrowness and the total insufficiency of Professor Perry's premises, by reason of his ignoring these great and vital factors, and therefore the fallacious nature of his conclusions, which thereby become utterly unworthy of a moment's consideration, even on the part of the merest tyro in the necessary processes of reasoning.

BREAKDOWN OF THE FREE FOREIGN TRADE CASE.

Nay, more, the entire free foreign trade case, as I have shown, breaks down on the question of prices—the only claim it presents for our acceptance. A cause which wholly ignores the ruin of productive industries for the sake of cheapness, and after the ruin is accomplished can neither show prices so low as before, nor an equal supply, nor an equal power of consumption, is unworthy of the acceptance of any rational man, unless he be an enemy of the country, or the foreigner who is receiving this increased price in the face of decreased demand.

THE BRITISH IDEA OF CHEAPNESS.

But high prices are not necessarily and always an unmixed evil. Every period of great prosperity in our history has been accompanied by high prices, especially of land, labor, and raw materials. Those who are in receipt of high remuneration for services and commodities in turn make a large market for the services and commodities of others. The idea of cheapness which runs throughout British thought, and controls British legislation, and depresses, degrades, and brutalizes the great body of the people, is not merely wicked, but stupid; for it works a damage to British industries by limiting the volume of the home market; the consumption

of the products of which industries would make the mass of people at home comfortable, happy, and civilized, thus alike blessing him that gives and him that takes. Cobden in his campaigns for the repeal of the Corn Laws, held up to the coveting eyes of his poor auditors the idea of "the big loaf," as a grand result to flow from the free importation of foreign corn, thus ignoring the fact that large bodies of English, Scotch, and Irish laborers were virtual co-partners in British agriculture; and were certain to be injured by a policy which would throw vast tracts of land out of cultivation in corn and into permanent pasture, in which few hands are needed. This British fetich, cheapness, begins in injustice to the great mass of the people at home, and ends in wars, robberies, opium dealing, and famines abroad, resulting from the efforts to obtain additional markets and revenues which should be had among its own prosperous, well-paid, and happy people, and which would add to the power as well as to the glory of the empire; for from the mass of the people really comes the national force.

THE RATIONAL AND PHILOSOPHICAL ROAD TO CHEAPNESS.

But there is a real, true, beneficent, and civilizing road to cheapness. It is found in a diversification of employments, the strengthening of the power of the people by means of active association, the intelligence which flows from this association, and leads to the highest conquests over the forces of nature; and of their utilization in propelling machinery and producing mechanical and chemical changes in the forms of matter. Thus, and thus only, do raw materials, including land and labor, tend to rise, because they thereby find new utilization; and finished commodities to fall, because of the readiness with which they are converted into finished forms by the aid of chemical reactions, and by machinery propelled by water, heat, steam, gas, and electricity. Thus, and thus only, does man become free. The

power obtained in the harnessing of natural forces into the uses of man will be made clearly apparent when it is considered that three tons of coal represent the labor power of a man for his lifetime. But when applied to improved machinery of great velocity, working with but little friction, this power is at times, by actual computation, multiplied as much as five-fold; in other words, three tons of coal then representing the labor power of *five men* for their entire lives. In the city of Philadelphia, for instance, there is a cotton mill, and not one of enormous size, which in 1877 manufactured in every day of ten hours 40,000 *miles* of cotton yarn, obtaining from eight tons of coal dust the necessary power. Supposing it possible for such a quality of yarn to be made by hand, it would require the labor of 85,000 women working for the same number of hours. In 1870 but 137,876 men, women, and children were employed in the productive industries of that city; the products of which were of the value of $334,852,458. Thus did this one cotton mill represent nearly two-thirds of the mere physical power of those persons who produced this great body of commodities. By actual computation from the work done by the mill in the month of February, 1877, and the cost of that work, for human labor to have competed with it unaided by machinery, it would have been necessary for that labor to have worked for 46½–100 *of one cent per day* wages.

With such increase of force and decline of cost of conversion in human labor, we may calmly leave prices to regulate themselves by means of domestic competition, and the new improvements in machinery and the new knowledge of chemical reactions which are always taking place in a society of high vitality. In such a society the standard arguments of the average political economist of the free foreign trade persuasion about prices are only worthy of the proprietor of a shop where candy is sold by the stick and gingerbread by the single cake. The power which Great Britain gets from

coal and machinery is generally estimated as equal to that of 600,000,000 men, but from a calculation which I myself made a few years since, based upon authentic data as to the cotton spindles in that empire, I am well satisfied that it is at least equal to that of 2,500,000,000 of men.

THE ARTIFICIAL NATURE OF CIVILIZED SOCIETY.

But the free foreign trader objects to the imposition of duties on foreign merchandise because it introduces an artificial element into society, and interferes with his inalienable right to buy where he can buy cheapest, and sell where he can sell dearest. The fact is, this is *prima facie* evidence in its favor, because this man forms a part of an artificial society—one in which the very clothes, abodes, manners, customs, and modes of living and being are artificial. Indeed, if he is a man of any culture his own countenance is artificial, being made up by his surroundings and the knowledge which they have given him. The more cultivated and civilized this society the more fully have the members of it departed from nature. The natural man is found in Africa, in Patagonia, and in a measure among our Indians. The free foreign trader will find his natural rights among such men as these, and among bears, wolves, and catamounts, if he has the strength and cunning necessary to maintain them. There he will find no custom houses, no police, no boards of health, no municipal government which will oblige him to lay down pavements for other men and their horses and vehicles to pass over, nor sewers, nor gas pipes for the use of others, nor will he be obliged to pay for the schooling of other people's children, or be subject to the other restraints of civilized society; but he will probably, after a few hours, days, or weeks of this experience, conclude that the restraints and privileges of civilization are far preferable to the discomforts and dangers which accompany the untrammelled exercise of his natural rights in the midst of nature's wild

domain; and elect to become a law-abiding member of a society in which the prosperity and happiness of all are the guiding star.

THE RIGHTS OF AMERICAN PRODUCERS.

And when our free foreign trader comes to look more deeply into the nature of this society, he may even be disposed to abandon his views in favor of free foreign trade on the ground of mere justice to our producers. As it is off of, or from American production, that the whole people, producers and non-producers, live, so it must be on the shoulders of American producers that all national, State, and local taxation finally rests, unless we can transfer some of this taxation to foreigners who seek our markets, which are wholly the fruit of American production. It would therefore be altogether subversive of the rights of these American producers to admit the products of foreigners, except upon the condition that they pay a rate of taxation equal to that paid by American producers—these latter having rights under their own government, which they entirely support, at least equal to those of foreigners. The only rational and proper basis for free trade, is that wholly between our own people, and not between some of our own people and foreigners; and until every possible means are taken to cast off the existing shackles which hamper the trade between parties wholly American, that between Americans and foreigners must be asked to stand aside and wait its day of realization in the future, and in a new Utopia.

THE ARTIFICIAL DEVELOPMENT OF NATIONS AND THEIR INDUSTRIES.

In dealing with this society of ours, which we call the nation, we cannot too clearly, distinctly, and persistently bear in mind that it exists, one among many nations, each of which has more or less developed an artificial existence,

and not a single one of which has industries all of which bear perfect and harmonious relations to each other; that some one or more of these countries has one or many industries which we ourselves have, and which are developed to a greater extent than our own. Once more, we must remember that association with his fellow-men is the first, the greatest, the paramount need of man; that the more complete the diversification of employments, the greater this power of association, the greater the motion in society, the less the loss of labor-power, the greater the ability to subject to the human will and use the forces of nature; the less the expenditure of human labor in converting raw materials into finished commodities, the greater the power to command an ample supply of money, the instrument of association, and the lower the rate of interest—the precious metals traveling *from* those places where employments are *not* diversified and where the rate of interest is high, *to* where they *are* diversified, and where the rate of interest is low.

The artificial and inharmonious development of the industries of other nations calls, in turn, for artificial provisions against any movements of these industries in the direction of the destruction of the more or less happy balance of industries existing or trying to exist among ourselves—this balance being a measure of the power which we ourselves have actually developed. These provisions are especially essential the world over against the competing industries of Great Britain; the well-recognized and even avowed selfish and wicked policy of which is industrial warfare, with a view to the centralization of wealth in the would-be work-shop of the world.

These provisions against the destruction of the harmonious balance of industries are known under the name of

PROTECTION,

a policy which not merely rest upon the foundations of justice, but which is vindicated by all history; whether that history

be of England, France, Belgium, Russia, or the German Empire, the power of all of which has been built up by this policy, or of Ireland, Turkey, Egypt, Portugal, India, Japan, or Jamaica, the power of which has been destroyed by the absence of it. It is vindicated at every step in our own history, from the settlement of the colonies to the present hour; each period of free foreign trade having caused an impoverishment of the people, the colonies, the States, or the nation, and each period of protection, after protection became possible by independence, having caused the rescue of both people and governments from wretchedness, bankruptcy, and despair.

CHAPTER XV.

PROTECTION AND FREE TRADE.

By Right Hon. Henry Faucett, M.P., D.C.L., F.R.S.
Professor of Political Economy in the University of Cambridge.

THE ARGUMENTS OF PROTECTIONISTS.

AFTER a careful consideration of the arguments which are adduced in support of protection by those who may be regarded as its leading advocates in America, in the Colonies, and in various Continental countries, I think it will be admitted that a full and complete statement of their case will be given by arranging the arguments which are now advanced in support of protection under the following thirteen heads. It will be observed that some of these arguments are of a contradictory character. This circumstance is however accounted for by the fact that protection is regarded from different points of view, and supported for different reasons, in different countries, and I have been anxious to omit no argument to which importance is attributed by those who defend protection in the various countries in which it is maintained:

1. Protection is desirable, and especially so in a young country, because it secures diversity of industry. A country such as America or Australia possessing an almost boundless extent of fertile land, has exceptional facilities for the production of raw material. If therefore manufactures are not fostered by protection, labor and capital will be chiefly

devoted to agriculture, (and the growth of towns will be discouraged.)

2. Protection, by encouraging various branches of home industry, makes a community much less dependent upon foreign countries.

3. The American protectionists assume that in foreign trade the cost of carriage is paid by the exporting country. Raw produce being more bulky than manufactured goods of the same value, is more costly to export. They therefore argue that America would be placed at a disadvantage compared with England if she imported all the manufactured goods she wanted in exchange for raw produce.

4. It is said that the home manufacturer has to pay various taxes which are not levied from his foreign competitor, and therefore if he does not receive some compensation in the form of protection, he must necessarily be placed at a disadvantage.

5. Protection is advantageous to a country because it encourages various branches of home trade, and discourages to the same extent the trade of foreign countries.

6. A protective import duty, it is asserted, is ultimately almost entirely paid by the foreign producer. (Consequently protection secures the double advantage of taxing the foreigner and of encouraging home industry.)

7. As profits and wages are not higher in protected industries than in those which are not protected, the objection ordinarily urged against protection—that it benefits a special trade at the expense of the general consumer—cannot be fairly maintained.

8. Protection is economically advantageous, because if a country obtains its produce at home instead of importing it, the labor employed in transporting produce from a distance is saved, and this labor is assumed to be unproductive.

9. Protection is represented as conferring great benefit upon the working classes in America, because the wages

which are paid in certain industries which enjoy protection in America are higher than the wages in the same industries in free-trade England.

10. Protection would be unjust if only one industry were protected, because the general public would obtain no compensation for the increased price they would have to pay for the product of this particular industry. They however obtain this compensation, if protection is so extended that the entire industry of the country participates in its advantages.

11. Protection has been defended on the ground that wages being higher in America and in the Colonies than in England, the American and the Colonial traders require protection in order to place them in a position of equality with their English competitors.

12. Protection, having been once established, cannot be abolished without causing great loss to employers and employed in those trades which have been protected.

13. Protection can be advantageously introduced into a young country as a temporary expedient, since various industries which will ultimately prosper without protection require its aid in the early stages of their existence.

I will now proceed to consider these arguments in the order in which they have been stated.

1. It will be observed that in the foregoing enumeration of the reasons which are advanced in support of protection, the first position has been given to what is known as the "diversity of industry" argument, because there is no single point on which so much stress is laid by American and Colonial protectionists.

It is contended that a country which has almost inexhaustible supplies of fertile land, considerable portions of which are still unoccupied, possesses such exceptional advantages for agriculture that its labor and capital will be chiefly concentrated on the production of raw produce; it is

accordingly maintained that although it might be cheaper, for instance, for America to purchase from foreign countries various articles of manufacture with this raw produce instead of making the articles for herself, yet the gain thus secured would be dearly bought because of the harm which would be done to America if there were no variety in the occupations of her people. If scarcely any industry were carried on except agriculture, many who were not suited for outdoor work but who could acquire a skill which would enable them to excel in some handicraft, might find it impossible to obtain any employment for which they were qualified; there would consequently be a great waste of industrial power. It is also alleged that the social development and progress of the country would be most seriously impeded if the greater part of its population devoted itself to field work, and lived in scattered settlements; whereas if manufactures were established people would become more concentrated, the growth of towns would be ensured, and in addition to the foreign demand, there would arise a large home demand for agricultural produce.

It is evident that the whole of this reasoning rests on the hypothesis that it is impossible for manufacturing industry to exist in a young country unless it receives the fostering aid of protection. It can, I believe, be shown that this hypothesis is not warranted either by theory or by experience. When a country is first settled and is consequently very sparsely peopled, it possesses no sufficient supply of labor for the establishment of manufactures on an extensive scale. Gradually, however, as population increases, there will arise various branches of domestic industry which will supplement and assist in various ways the labor of those who are engaged in agriculture. However purely agricultural the industry of a country may be, there must always be a great deal of work to be done which will provide many different kinds of employment besides the mere tilling of

land. Houses and other buildings have to be erected, roads have to be made, agricultural implements and machinery have to be repaired, and the cost of carriage will make many articles, especially those of a bulky kind, so expensive to import that, although labor may be dearer in a new country, it will be found cheaper to make the articles at home. The various trades and handicrafts which are thus called into existence will create an increasing demand for skilled labor, and in this way that industrial uniformity about which the protectionists express so much alarm will be avoided. It has been already explained that the home trader, even where no protective duties are imposed, enjoys a natural protection so far as the home market is concerned, because he can bring his produce to this market at a much less cost than can his foreign competitors.

Although the desirability of securing diversity of industries is constantly put forward as one of the chief reasons why protection is supported, yet the tariff which is at the present time maintained in the United States affords a conclusive proof that motives of a very different kind must exercise a powerful influence on those who favor protection. It will be found by referring to this tariff, that protective duties are not solely imposed on manufactures. No article for instance is subjected to a heavier import duty than timber. It cannot be supposed that by excluding Canadian and other timber from the American market, and thus making timber dearer than it otherwise would be, the growth of towns will be encouraged, and that a greater amount of suitable employment will be forthcoming for those who possess the skill required in various handicrafts and who are not fitted for rough outdoor work. Such a duty exercises an influence in exactly the opposite direction: for when the home timber trade is thus artificially encouraged by protection, a greater number of the population are scattered far and wide over the country, employed in cutting timber and bringing it to

market. The most serious objection to be urged against the policy of imposing duties in order to force into an unnatural existence certain branches of industry arises from the fact, that when the aid of such an agency has once been resorted to, its future operation cannot be controlled. Although it may have been intended by those who first introduced protection into the United States, to do nothing more than give a temporary assistance to certain manufacturers in order to enable them to struggle against the difficulties which often beset a new industry, yet the aid which was thus given, far from being temporary, has been continued for nearly a century, and instead of a few products being protected against foreign competition there is scarcely a single article that can be produced in the United States which is not now subjected on importation to a high protective duty. This extension of protection is not due to any accidental circumstances. Fire is not more certain to spread among inflammable material than is protection when once sanctioned to embrace a constantly increasing number of industries within its influence. Each new protective duty which is imposed inevitably creates a demand for more protection in other industries. The ironmasters, for example, of the United States may not improbably demand a greater amount of protection, for high as are the protective duties now imposed on imported iron, amounting in some instances to 100 per cent., foreign iron still finds its way in considerable quantities to the American market. In 1874 no less than £3,000,000 worth of iron was imported. Although this importation subsequently declined, it is now (1881) again rapidly increasing. This influx of foreign iron, it may be urged, constantly forces down prices. deprives the ironmasters and those whom they employ of a part of the prosperity to which they are fairly entitled when trade is active, and intensifies the depression of adverse times. If a demand for more protection were conceded, the supply of

foreign iron in the American market might be greatly curtailed and the price of American iron would be considerably increased. But the moment this advance in price occurred a signal would be given to demand more protection in a great number of other industries. Every article which was made of iron would become dearer, and those who had to purchase these articles would find a new burden imposed upon them. The American cotton and woolen manufacturers might fairly say, "It has been scarcely possible for us to hold our own against our foreign competitors, but now that in order to benefit the iron trade the price of iron has been increased, as we have to pay more for our machinery; this places us at a disadvantage compared with English, French, and other manufacturers; we have consequently a right to demand an increase of protection, in order to compensate us for the advantage which would otherwise be given to our foreign rivals."

In discussing the various arguments which are adduced in support of protection, it will not be sufficient to consider the subject simply in its economic aspects. Thus, as already stated, the social and other benefits which are conferred upon a country by its possessing a diversity of industries are supposed to provide an ample compensation for any economic loss which may be caused by protection. As complaints are constantly made by protectionists that their opponents persistently ignore all the results of protection which are not economic, I shall be careful to consider these results, and I shall be the more anxious to do so because without such consideration the real magnitude of the mischief which is done by protection cannot be adequately understood. There is nothing more calculated to exercise a deteriorating influence upon a country than to encourage its industrial classes to be perpetually looking to the State for assistance. When a nation becomes thoroughly imbued with the doctrines of protection, it seems to display towards competition the same

sort of helpless terror as is shown by a timid child terrified by the fancied presence of a ghostly apparition. The statistics of exports and imports are eagerly scanned, and whenever the import of any particular article is discovered to be on the increase a piteous cry is raised for more legislative protection against this growing foreign competition. Instead of trying to ascertain whether if the foreign producer is gaining an advantage, it is not being secured through greater industrial enterprise, recourse is immediately had to all the political artifices by which any particular trade interest can bring its influence to bear on the government. The efforts which are thus being constantly made by those engaged in different industries to secure legislative aid, have probably done more than anything else to encourage that "lobbying" and "wire-pulling," which form such prominent features in the politics of the United States. No inconsiderable portion of the energy of her public men, which should be devoted to further objects of national importance, is employed in gaining for some particular trade what is supposed to be the privilege of a higher protective duty. This opinion is forcibly confirmed by an able American economist, Professor W. G. Sumner, who says:

"This continual law making about industry has been prolific of industrial and political mischief. It has tainted our political life with log-rolling, presidential wire-pulling, lobbying, and custom-house politics. It has been intertwined with currency errors all the way along. It has created privileged classes in the free American community, who were saved from the risks and dangers of business to which the rest of us are liable. It has controlled the election of congressmen, and put inferior men in office, whose inferiority has reacted upon the nation in worse and worse legislation. Just now we are undergoing a spasm of indignation at official corruption, and we want to reform the civil service, but there is only one way to accomplish that, and

that is to cut up the whole system which has made the civil service what it is." *

It would therefore seem to be conclusively established that protection may produce social and political consequences even far more mischievous than the economic loss it causes to a country.

In referring to the social and political influence which is exercised by protection, I think it may be well to direct attention to the encouragement it may give to one of the most serious phases of modern socialism. It may be observed that there is a fundamental difference between the schemes of the earlier socialists and the socialism which in Germany and many other countries is now received with most favor. The chief aim of the earlier socialist was by the formation of voluntary associations to effect certain social reforms, and they proposed to attain their object, not by State assistance, but by conforming to certain rules, which they voluntarily imposed upon themselves, as to their mode of life, and as to the distribution of their property. The socialists of the present day, however, chiefly hope to effect their object by State aid. Whenever a programme of socialism is now put forward, it will be invariably found that a demand is urged for an almost indefinite extension of State intervention. The State is to supply capital to labor. Co-operative associations are to be founded by State loans, the land is to be purchased by the State and relet to the cultivators, and the State is to regulate the number of hours which adults should be permitted to work. This form of socialism has assumed its most marked development in such a protectionist country as Germany, and I think it cannot be doubted that protection must exert an inevitable tendency to foster these socialistic demands for State assistance. If a people are accustomed, as they must be under a system of

* "Lectures on the History of Protection in the United States," by Professor W. G. Sumner.

protection, to believe that the prosperity of each separate branch of industry depends not so much upon individual energy and skill as upon the amount of protection it can obtain from the government, there can be no surer way of encouraging the growth of a belief not only that industrial prosperity but that the general social well-being of the country is chiefly to be secured not by individual effort but by State help.

2. The second argument in favor of protection is, that by encouraging various branches of home industry, a community is made much less dependent upon foreign countries.

This argument may be at once admitted to constitute the only logical basis on which a protective system can be supported; for if it could be assumed that the normal condition of a country was to be perpetually at war with its neighbors, it would become of the first importance to make it, as far as possible, industrially independent of them. Under such circumstances it might be expedient, at whatever cost, to impose protective duties with the view of establishing and maintaining various branches of home industry. It is on grounds such as these that protection is probably most frequently defended. Thus the French consider that they are amply justified in imposing a protective duty on salt, because without such a duty no salt would be produced in France, and all the salt which the French people consume would consequently have to be imported. It is said that in time of war, the coast of France and her frontiers might be so effectually blockaded that no salt could be imported; time would be required to create the necessary appliances for its manufacture; her people might thus be deprived of the supplies they required of a first necessary of life, and they would be placed at a great disadvantage in the war in which they might be engaged. It is therefore maintained that rather than incur this risk it is better for the French people to pay an increased price for the salt which they consume.

Let us, however, endeavor to estimate the exact degree of risk which France would incur of being deprived of its supplies of salt if it were freely imported, and then we shall be better able to judge whether the price which is now paid to avert this supposed danger can be regarded as a wise and judicious expenditure.

It is scarcely possible to imagine any conjuncture of circumstances which would cause France to be engaged in such an universal war that she had not a single ally or a single neutral power on her frontier. The first Napoleon was at one time carrying on war with the greater part of Europe, and yet there was never a moment even in his unparalleled career of military aggression, when all the coasts and all the frontiers of France were so completely blockaded that no foreign product could find its way to her markets. There would, therefore, seem to be every reason to conclude that the danger which protection is supposed to avert is a purely imaginary one. But even if we admit the bare possibility of its occurrence, the question is at once suggested, cannot some other means be devised of guarding against it, which will prove less burdensome to a country, than compelling its entire people, whether rich or poor, to pay an unnecessarily high price for articles of the first necessity? The consumption of salt in France for domestic purposes may be estimated at about 360,000,000 lbs. Salt is subjected to an excise duty in France of 4*s.* per cwt.; but the duty which is imposed on foreign salt when imported being thirty-three per cent. higher than the excise duty, French salt is by this duty so effectually protected, that scarcely any salt is imported. It is affirmed on the authority of those who have an intimate practical knowledge of the salt trade that this restriction of foreign importation increases the price of salt in France by a halfpenny a pound; consequently, the protective duty imposes a tax on the French consumers of salt of at least £750,000 a year, beyond the

amount which the duty on salt yields to the French revenue. When it is remembered that salt is used for many purposes in manufacturing and agricultural industry, it is a moderate estimate to assume that the protective duty on salt annually imposes a fine of £1,000,000 on the French people, beyond the amount which is directly levied from them by the salt tax. The £1,000,000 a year is taken from them, in order to give encouragement to the home manufacture of salt, and in order to make France independent of foreign supplies. It has also to be borne in mind that the protective duty, although it imposes this heavy fine on the French people, far from adding anything to the revenue, actually diminishes it to a considerable extent. If no protective duty were imposed on foreign salt, and if the excise and import duty were exactly the same, the price of salt would be materially reduced in France; the consumption of salt would consequently be increased, and the revenue would be proportionately augmented, if the import duty were reduced to the same rate as the present excise. Not only, therefore, does protection injure the revenue, but by unnecessarily increasing the price of salt it imposes a tax of at least £1,000,000 a year on the French people. Not one shilling of this large amount can be appropriated by the government to the general purposes of the State, for it has to be entirely devoted to compensate the French manufacturers of salt for the disadvantages under which they carry on their industry, compared with the favorable conditions under which salt can be produced in England and in other countries.

It is not necessary to express any opinion here with regard to the expediency of taxing such a necessary of life as salt. I am simply attempting to trace the effect of preventing the importation of salt by a protective duty; and however high the duty imposed on salt might be, it would cease to be protective if home-made and foreign salt were taxed at the same rate.

From the figures just given, an idea can be formed of the price which is annually paid by the French people, with the object of guarding themselves against the remote contingency of a war so universal that every avenue by which foreign produce could find its way into France would be completely closed. As such an event has never yet happened, the greatest alarmist can scarcely suppose that it will occur more than once in a century. It would thus appear that in order to provide against it a contribution amounting in the aggregate to £100,000,000 would be levied from the French people.

If this policy of making a country independent of foreigners is to be carried out, it will not be sufficient simply to protect the home manufacturer of salt against his foreign competitor. The home production of numerous other articles must be similarly fostered; the price of all these must be artificially raised to such a point as will compensate the home trader for the disadvantages under which he may have to carry on his industry, and thus the loss which is caused to France by making her independent of foreign countries for her supplies of salt, may be indefinitely increased. A most serious burden might in this way be cast upon the entire industry of a nation, and even in periods of profound peace a country would thus be virtually making the most costly preparations for war. If it were really worth while to take precautionary measures against a danger so shadowy and remote, it would be far cheaper on the eve of hostilities to accumulate stores of the products which are imported, than for a people constantly to have to bear the serious loss which is inflicted on them by articles which they are obliged to purchase being made unnecessarily dear. When commerce is unhampered by restrictions, the natural action of trade secures on the eve of war the accumulation of stores of commodities the importation of which is likely to be interfered with. The forces of self-interest would in

this way effectually operate without the intervention of the government.

Although the supposed desirability of making a community independent of foreign countries is one of the arguments most commonly advanced in favor of protection both in America and in our colonies, yet all the reasons which have been adduced against protection being maintained for this purpose by such a country as France apply with tenfold force to the United States and Canada. Great as is the improbability that France can ever be cut off from her supplies of foreign products, the improbability is still greater that the United States, Canada, and Australia, with their thousands of miles both of land and sea frontier, could ever be so completely surrounded by hostile forces that they could not continue to obtain supplies from foreign countries.

3. It is argued in favor of protection, and especially by writers on the subject in America, that the cost of exporting produce being paid by the exporting country, America would be placed at a disadvantage compared with England if the commerce between the two countries consisted chiefly in sending raw produce from America in exchange for manufactured goods; because the former, being in proportion to its value more bulky than the latter, will be more expensive to export.

It can be readily shown that this argument possesses no validity, for it is based on the erroneous assumption that the cost of exporting produce is paid by the exporting country. In order to prove the fallacy of this assumption, let us inquire what would be the effect of reducing from 6*s.* to 3*s.* the cost of sending a quarter of wheat from New York to Liverpool. If, after this reduction in freight took place, American wheat continued to sell in England at the same price as it did before, the profit realized on every quarter of American wheat sold in England would be increased by 3*s.*

This opportunity of securing extra profit would inevitably cause increased supplies of American wheat to be sent to England, and this would continue until the price of American wheat was so much reduced in England that it was not more profitable to sell it there than in America. The difference in the price of wheat in New York and in England cannot be permanently greater than the cost of exporting wheat from New York to England. If therefore this cost is reduced, the price of American wheat in England must be also reduced by nearly an equivalent amount. The fall in price would not probably be quite equal to the reduction in the cost of carriage; because as American wheat became cheaper in England the demand for it would become greater, and this increase in demand might produce a slight rise in its price in America. It still, however, is certain that a lessening of the cost of carriage would produce a reduction of price in the importing country of almost exactly the same amount, and consequently it follows that the cost of carriage instead of being borne, as is assumed by American protectionists, by the exporting country, falls almost entirely upon the importing country. It is obvious that the first effect of a rise in the freight between America and England would be to increase the price, to the English consumer, of wheat and all other produce imported from America; and any reduction in freights would in the same way confer a greater advantage upon England than upon America, because the price of all American produce in the English market would be reduced by an amount nearly equivalent to the saving in the cost of carriage.

4. The next argument advanced in support of protection is that the home-trader needs protection, because, since he has to pay various taxes which cannot be levied from his foreign competitors, it is necessary, in order to place him in a position of equality with them, that he should receive some compensating advantage.

With regard to this argument it may be remarked that the foreign producer has to pay the taxes which are imposed in his own country, and it is a mere matter of chance whether these taxes in the aggregate are heavier than those that are imposed in the protectionist country. If protectionists argue that the burdens on production are always more onerous in a protectionist country, such an admission may be fairly regarded as a conclusive condemnation of the protectionist system. The aggregate amount which has to be raised by taxation in an old country, such as England, is in proportion to her population far larger than is required by the Government in the United States. The imperial revenue raised in England at the present time represents a charge of about £2 10*s.* a head; whereas in the United States the charge is less than £1 10*s.* a head. If, therefore, the raising of this larger amount in England proves less burdensome to her industry than the raising of a smaller amount in protectionist countries, it proves that their system of taxation is radically defective.

It is also worthy of notice that if the home-trader is to be protected in proportion to the taxation which he has to bear, each addition that is made to taxation in a protectionist country will become doubly burdensome to the general community; because it will create a demand for fresh protection. Thus, if a larger revenue is required in America, and it becomes necessary to impose a tax on dwelling-houses and business premises, the American manufacturer would immediately put forward a claim for more protection. He might, for instance, urge that before this new taxation he was only just able to compete with his foreign rivals; the new burdens which he has to bear will place him at a disadvantage, and he will, therefore, claim that he should be compensated by heavier import duties being imposed on the goods which come into competition with those which he produces. The price of cotton and woolen goods, of iron, and of various

other manufactured articles, would thus be increased through the imposition of these higher duties. Consequently the people would be doubly taxed: they would not only have to provide the additional revenue which is required, but they would have to pay a higher price for all those various articles which were subjected to increased import duties. The increase of these duties, although extremely burdensome to the people, might not yield any additional revenue to the State; on the contrary, importation would probably be restricted, and thus the revenue yielded might be less than it was before.

The argument we are now considering affords a striking illustration of the mischievous influence which must be exerted by protection if a policy of commercial restriction is carried out with logical consistency. The tendency of protection must necessarily be to deprive the population of the country in which it is maintained of the advantages arising from any improvements in productive industry which may be introduced into other countries. Thus, if the production of a manufactured article were cheapened in England, so that the English manufacturer was able to sell it in France at a reduction of ten per cent. on its former price, the French manufacturer might not improbably put forward a claim to higher protective duties. It would be in strict accordance with the principles of protection if this claim were granted; and if it were granted the French people would lose the benefit they would otherwise gain in being able to purchase a particular article at a considerably reduced price. In the absence of protection, the home manufacturer who found himself placed at a disadvantage in consequence of his foreign competitor having adopted some improvement would be stimulated to adopt the same improvement, so as to be able to sell his goods at the same rate as the foreigner. It would thus become a trial of skill against skill instead of a competition of skill against restriction.

5. One of the most important advantages claimed for protection by its advocates is that it not only encourages various branches of home industry, but discourages the trade of foreign countries to a corresponding extent.

Thus it is argued that if iron were freely imported into the United States the many millions which are now expended in America in the purchase of iron, instead of being distributed among the American manufacturers of iron and their workpeople, would be sent to England. Such a transfer it is assumed would enrich England and impoverish America. It is, however, evident that those who hold this opinion must consider that a community is injured by any circumstance which promotes the prosperity of neighboring countries. Protectionists may perhaps hesitate to avow such a doctrine when stated in plain terms, but it can be readily shown that this is the conclusion to which the principles they profess inevitably lead.

Protection, as previously remarked, may be regarded as a survival of the mercantile system; the opinions which were propounded by its adherents bear a remarkable resemblance to those which are expressed by the protectionists of the present day. Thus when they insist on the harm which would be done to America if iron were more largely imported from England, they constantly speak as if the additional iron which would be bought from England would have to be paid for in hard cash, and it seems to be thought that America would constantly have more and more money drained away from her. Nothing, however, is more certain than that if America purchased goods more largely from England, the English people would in their turn increase their purchases of American produce. If it were advantageous for a country as far as possible to diminish the quantity of products imported, that country would derive the maximum profit from foreign commerce whose exports were large compared with her imports. To secure a large

excess of exports over imports seems in fact to be the goal to reach which protectionists are ever striving. Side by side with the imposition in the United States of innumerable import duties, many of which are so high as to be prohibitive, such eager anxiety is shown that not the slightest impediment should be thrown in the way of foreign countries freely purchasing American produce, that not only is no proposal ever made of levying an export duty in the United States, but the imposition of such a duty is forbidden by the American constitution. Amongst French protectionists the same terror is shown of an excess of imports over exports. Thus in an address of the Chamber of Commerce of Elbœuf, protesting against the renewal of the Commercial Treaty with England, it was stated that whereas in 1875 the exports of France exceeded her imports by 297 million francs, in the next year the imports were in excess of the exports by 271 million francs, and it was said that consequently there had been a transfer in this period of nearly 600 million francs "to the prejudice of France." But if a country is benefited by its exports and injured by its imports, we are led to the conclusion that a community is enriched in exact proportion to the smallness of the return which it receives in exchange for the produce which it sends abroad. But if this were the case a community would derive the maximum advantage from foreign commerce when in exchange for various useful products which it exported it received scarcely anything except money. Such a result might no doubt be brought about if a protectionist policy were carried out with sufficient completeness. Suppose for instance that protective duties were increased in the United States; the quantity of articles imported from England and other countries might be greatly diminished, while the demand of these countries for American produce would continue. If English harvests, for example, were deficient and America had wheat to spare, this wheat would be gladly purchased

by the English people. They would not deprive themselves of bread because America had increased her import duties. If, however, produce continued to be thus exported while imports were more and more reduced, a larger portion of these exports would have to be paid for with money, and a larger amount of money would consequently have to be annually transmitted to America. This being the case, the question is at once suggested, would such a transmission of money be more advantageous to America than if, in exchange for the products she exported, she obtained various manufactured goods and other articles which would minister to the wants and enjoyments of her people?

The value of gold and silver is determined by the same laws as those which regulate the value of other articles of mineral produce. If money were constantly poured into a country in the manner just supposed, its supply would be increased, and its value would proportionately diminish. Hence, a commerce which consisted in exporting useful products in exchange for money, instead of being peculiarly beneficial would really be specially disastrous to a country; for produce would be sent abroad which might be used in furnishing the people with the necessaries and enjoyments of life; and in exchange for the real and tangible advantages which were thus parted with, nothing would be secured but an increased supply of money, with a consequent depreciation in its value, producing a rise in general prices.

The policy having been once commenced of creating a "favorable balance of trade" by discouraging imports, could not be continued without imposing more and more onerous and mischievous restrictions on commerce. The rise in general prices which it has been shown would occur in America if she were chiefly paid for her exports with money and not with produce, would obviously tend to diminish the amount of her exports and to increase her

imports. If wheat and maize and other articles became dearer in America a less quantity of these articles would be purchased by other countries, and consequently her exports would diminish. At the same time the rise in prices in America might make it profitable for England and other countries to send goods there which before could not be sent except at a loss, and this increase in imports would cause the imposition of higher protective duties to be demanded.

The case which has just been investigated affords another example of the fact that any injury which a country inflicts on the commerce of other nations, instead of yielding her any advantage, is sure sooner or later to react upon herself, and generally with redoubled force. Protectionists, as we have seen, are always most anxious to promote exports and to discourage imports; and yet every new protective duty which is imposed is just as effectual in impeding an export trade as if a duty were levied on every article which is sent abroad. It has, for instance, just been shown that an inevitable result of a protectionist policy is to make the articles which are exported dearer, and consequently to diminish the foreign demand for them. This falling off in the foreign demand will still further be aggravated by the loss which a country inflicts on others besides herself by the maintenance of a protective tariff. England no doubt suffers seriously from the protective duties of America, but the more serious the injury which is thus inflicted on her, and the greater the loss of wealth which it causes, the more will her power of purchasing the goods which America wishes to send her be diminished. If trade improved in England, if employment became more abundant, if profits increased and wages advanced, there is not a single article of general consumption for which the demand would not increase; and this increase in demand is just as certain to take place, whether the article is made at home or whether it is imported.

As it is probable that protection derives special encouragement from the erroneous opinions so often entertained as to the real significance to be attributed to what is termed "the balance of trade," the question will be again referred to in the next chapter, in which will be considered the subject of industrial depression. I think it will then be seen that an unfavorable balance of trade need not necessarily indicate that there is anything unsatisfactory in the industrial condition of a country; for the normal condition of English trade is for the imports largely to exceed the exports, and reasons will be adduced to show that this excess may be taken as one of the surest evidences of the remarkable accumulation of the wealth of England in recent times.

6. It is argued by protectionists that a protective import duty is ultimately almost entirely paid by the foreign producer, and it is therefore supposed that protection secures the double advantage of compelling foreign countries to contribute to the home revenue, while at the same time encouragement is given to home industry.

This argument is supported with much ingenuity by a well-known American economist, Mr. Francis Bowen.* It is contended by him that if America imported £40,000,000 worth of manufactured goods when an import duty of 10 per cent. was levied, and if when this duty was raised to 35 per cent. only £20,000,000 worth of goods were imported, the Government would not only obtain a larger revenue from the smaller importation, but England in consequence of the falling off in the demand for her goods would be compelled to sell them at a lower price. It is therefore urged that the effect of a protective duty is to enable a country to purchase foreign produce at a cheaper rate, and consequently the country which maintains pro-

* See *American Political Economy*, by Francis Bowen, p. 487.

tection is placed in a position to make a better bargain with those from whom this produce is bought. In this reasoning the fact is altogether ignored that although the price which the English may obtain for their goods is somewhat less than it was before the duty was raised, yet this reduction in price is extremely trifling compared with the extent to which the price is raised in the importing country in consequence of the increase of duty; therefore, although those who purchase the article in America may not find its price advanced by the full amount of the increased duty, the advance will yet be sufficient to cause by far the greater part of the duty to fall upon those who consume the article in America, and not upon those who produce it in England.

In order to show this, let it be assumed, following the example given by Mr. Bowen, that 100,000 pieces of woolen cloth, the value of which in England is £1,000,000, are exported from England to America when the import duty is 10 per cent. Suppose the cost of the carriage of this cloth is £1 a piece, and the duty being 10 per cent. will also be £1 a piece. Consequently the price at which the cloth will sell in America will be approximately £12 a piece, because the price must be sufficient to provide a compensation for the cost of carriage and for the duty. If the price were more than sufficient to do this it would be more profitable to sell cloth in America than in England, and the price would be inevitably forced down by those who had cloth to sell being naturally anxious to secure the advantage of this extra profit. If, on the other hand, the difference in the price of cloth in the American and English markets were not sufficient to pay the cost of carriage and the duty, then it would be less profitable to sell English cloth in America than in England, and English manufacturers would consequently refuse to export cloth. When the duty is raised from 10 per cent. to 35 per cent.,

a piece of cloth which was worth £10 in England would have to be sold in America not at £12 but at £14 10*s.*, because the difference between its price in the two markets must be sufficient to cover the duty as well as the cost of carriage; the cost of carriage is still £1, but the duty, having been raised from 10 per cent. to 35 per cent., is £3 10*s.* The protectionists, however, are no doubt right in their contention that with this great increase in the price of English cloth in America there would be a considerable falling off in the American demand. Accepting the hypothesis on which the argument advanced by Mr. Bowen is based, let it be assumed that the importation of English cloth into America is reduced from 100,000 to 50,000 pieces. This diminution in the demand for cloth would undoubtedly affect its price in England, but the reduction in price would inevitably be small when compared with the increase of duty. The price cannot permanently fall below such a point as will make the manufacture of cloth less remunerative than other branches of industry.

It would be an excessive estimate to suppose that a falling off to the extent of one-half in one branch of the foreign demand for English cloth, resulting from an increase of the American protective duties, would cause a reduction in price of 10 per cent. But even if it is assumed that the price is reduced by this amount, a piece of cloth which before was worth £10 in England would now be worth £9, and its price in the American market would be £13 3*s.* instead of £14 10*s.*; because the difference in its price in the two markets must be sufficient to pay the cost of carriage, which is £1, and the duty, which is £3 3*s.*, being 35 per cent. on the value of the cloth which is now £9. It therefore appears that although the price of English cloth in America is not advanced by the full amount of the increase of duty, yet the price is raised from £12 to £13 3*s.*; in fact cloth is made so dear that the American people can

only afford to buy half as much from England as they formerly purchased. An injury will no doubt be inflicted on English trade by this falling off in the American demand; it must, however, be borne in mind that the loss which may be thus caused to a special branch of English industry may bring with it a compensating advantage. Thus it has been assumed that owing to less cloth being exported to America, cloth becomes cheaper in England by 10 per. cent. Every one therefore who wishes to purchase English cloth, whether at home or abroad, will be benefited by its being thus made cheaper. With this fall in price, the general demand will increase; this will inevitably lead to a considerable recovery in the price of cloth, and this circumstance will go far to compensate the English manufacturers for the falling off in the American demand.

It therefore appears that instead of a protective duty being chiefly paid, as American and other protectionists suppose, by foreign countries, such a duty must cause a much more serious loss to the community which imposes it than it causes to those countries who export the produce on which the duty is levied. Thus it has been shown in the foregoing example, that whatever loss might ultimately be caused to the English cloth manufacturers by an increase of the American import duties on cloth, this loss is, so far as the English people are concerned, accompained by the advantage that they are able to purchase cloth at a somewhat lower price. One special branch of English trade is injured; whereas the general body of English consumers are benefited. In America, however, where the higher protective duty is imposed, exactly the reverse takes place. Whatever effect the increased duty may have upon the American cloth manufacturers, the increase of the duty causes a most serious loss to the American people.

The arguments that are adduced in favor of protection so habitually ignore the interests of the general consumer,

that it is of the first importance to remember that in the case just investigated, the increase of the protective duty on cloth would not simply raise the price of imported cloth, but would produce a corresponding advance in the price of all the cloth which was purchased by the American people, whether of home or of foreign manufacture. If, therefore, of the entire cloth used in America, only one-twentieth were imported, the protective duty on cloth would impose a fine on the American people twenty times as large as the amount which the import duty yielded to the revenue. The injury therefore which is done to a foreign country by the imposition of a protective duty, is trifling compared with the injury which the country imposing the duty inflicts on herself.

7. A striking illustration is afforded of the opposite aspects under which the advantages of protection are represented by its advocates, when it is argued that the general body of consumers cannot be injured by protection, because profits and wages are not higher in the protected industries than in those which are not protected.

The employment of such an argument is imprudent, because the fallacy which it involves can be readily explained; while the admission it contains, as to the equality of wages and of profits in protected and unprotected industries, affords a complete refutation of many of the arguments on which most reliance is placed by those who support protection. Such an admission in fact disposes of a very considerable number of the reasons which are ordinarily urged in defense of protection. If it is conceded that profits and wages are not higher in trades which are protected than in those which are not protected, it at once becomes evident, as we have attempted to show in a previous chapter, that if commodities are made dearer by protection, the loss which is thus caused to the consumer of these commodities is not counterbalanced by any special advantage

being enjoyed by those who supply the capital and labor requisite to produce them. When the price of any product is increased through protection, the extra price does not represent higher profits or wages, but is simply an equivalent for increased cost of production.

In order to prove the fallacy involved in the argument that the consumer cannot be injured by protection because the imposition of a protective duty, in any branch of industry, does not increase its wages and profits beyond the average rate, it is only necessary to consider what would be the effect of again levying in England an import duty on corn. As previously explained, the inevitable effect of such a duty would be to raise the price of corn in England. Less foreign corn would be imported, and more would be grown on our own soil. This rise, however, in the price of corn, as is admitted by the protectionists in the argument we are now considering, would not increase the profits of the farmer; the extra price which he received for his corn having to be devoted to pay the additional rent which now would be demanded from him, he would gain nothing; but the fact that he is not benefited, would not in the slightest degree lessen the loss which would be inflicted on the general body of the consumers; for, in consequence of the protective duty, every one would find that he had to pay more for the bread he purchased.

8. It is alleged that protection must be economically advantageous, because when a country produces commodities for itself instead of obtaining them from abroad, the labor employed in transporting them is saved, and this labor is assumed to be unproductive.

There is, however, not the slightest foundation for the assumption that the labor employed in transporting a commodity is in any degree more unproductive than the labor which is employed in actually producing it. The labor of the ploughman who ploughs the land on which wheat is

grown, is not more useful or essential than is the labor of those who bring the wheat to the place where it is required for consumption. The finest fields of wheat would be perfectly worthless if the wheat had to be left on the fields where it grew. There may be millions of tons of coal at the pit's mouth, and this coal would be of no more use than if it had never been dug, unless there is labor to convey it to the places where it is wanted.

It is supposed that a coal-field extends under the entire town of Liverpool. If this is the case, it would be possible for the people of Liverpool to obtain coal close to their own doors. This coal, however, being at a much greater depth than the coal in other coal-fields in the locality, would be more expensive to work. Let it be assumed that the additional cost of working the coal will be 5*s.* a ton, and that the cost of carrying coal from the coal-fields which now supply Liverpool is 2*s.* a ton. It is obvious that this cost of carriage would be saved, if the coal immediately below Liverpool were worked. But in order to save this 2*s.*, 5*s.* would have to be spent; and, therefore, the net loss on each ton of coal used in Liverpool would be 3*s.*

It therefore appears that saving the labor employed in transporting produce is not necessarily economically advantageous, for the amount thus saved may be altogether inadequate to the increased cost involved in obtaining a commodity under more unfavorable conditions.

9. Protection has been represented to the working classes in America as conferring a great benefit upon them, because it is said that wages are higher in the protected industries in America than they are in the same industries in free-trade England.

Even if the difference in the remuneration of labor in the United States and in England had continued to be as great as it was formerly, it is obvious, after what was stated when considering the seventh argument, that this difference in

wages could not have been due to protection. It was shown that protectionists themselves admit that wages are not higher in protected than in unprotected industries; consequently the greater remuneration which labor obtains in one country than in the other must be due to causes which are independent of protection, and which exert a similar influence upon all employments. A consideration of some of the more prominent features in the economic condition of England and America, respectively, will at once enable us not only to say what these causes are, but will also show that far from protection increasing the remuneration of labor in the United States, it is gradually depriving labor of so much of its productiveness, as largely to reduce the difference between the remuneration received by the American and the English laborer respectively.

The most striking point of difference in the economic position of England and the United States, is the comparatively small quantity of fertile land which is possessed by the former country in proportion to its population. The quantity of food which is grown in England would be altogether inadequate for the support of its population; and each year we are becoming more and more dependent upon America to make good this deficiency in our supplies of food. It is calculated that the quantity of wheat annually consumed in England is about 22,000,000 quarters; the yield of our own harvest has often been not more than 9,000,000 quarters, and consequently a considerably larger quantity has to be imported than is produced by our own soil. The quantity of meat, butter, cheese, and other articles of food which are annually imported from America is rapidly increasing. It is not, however, only with regard to food that England has so largely to depend on foreign countries for the supplies she requires. A great part of the raw material which is used in many of her most important manufacturing industries is not obtained from her own soil.

For instance, a very large portion of the wool which is annually manufactured in England is of foreign growth; and the English climate not being suited to the production of silk and cotton, all the raw silk and raw cotton which she requires must necessarily be imported. So large a portion of this cotton is obtained from the United States, that the value of the raw cotton which is imported thence has in some years amounted to more than £30,000,000. It therefore appears that the United States, when compared with England, enjoys the great advantage of possessing a more abundant and cheaper supply, not only of food, but also of the products which provide the raw material of the most important branches of manufacturing industry. It would seem necessarily to follow that wages and profits would both be much higher in the United States than in England. Fertile land is so plentiful in the former country, that it can be obtained in any quantity for the payment of almost a nominal sum; whereas those in England who wish to cultivate land often have to pay in a single year, in rent, as much as would represent the fee-simple of land of the same quality in the United States. In the one country the entire produce of the land may be devoted to remunerate capital and labor: whereas in the other country a not inconsiderable portion of the produce has to be appropriated as rent. The amount which an English farmer has to pay in rent is often equivalent to the entire amount which he expends in wages. Consequently, there will be a smaller aggregate sum left to be divided in the form of profits and wages amongst those who have supplied the capital and labor requisite for the cultivation of the land. It therefore appears that a higher rate of profits and wages must be yielded by agriculture in the United States than in England, and as it has been proved that wages and profits in different industries in the same country approximate to equality, it follows that capital and labor ought both to

obtain a higher remuneration in the United States than in England. This higher remuneration is due to circumstances which are altogether independent of protection. It can, moreover, be shown that an influence of so exactly an opposite kind is exerted by protection, that at the present time it is imposing on the industrial classes in America a burden, which to a considerable extent is neutralizing the advantages conferred upon them by the possession of those great natural resources to which attention has just been directed.

After what has been stated in a previous chapter, the prejudicial effect which must be exercised upon the remuneration of labor by such a protectionist tariff as that which is now maintained in the United States will be readily understood. A protective duty, by making the product on which it is imposed unnecessarily dear, virtually levies a tax from all those who purchase it. When the commodities which are subjected to such a duty are those in general use, the effect of the duty is precisely the same as if an income tax were levied from the entire community. Such a tax cannot be adjusted or equalized as is the case with the income tax in our own country. Small incomes cannot be exempted; for, however poor a man may be, the tax will fall with unerring certainty on all that portion of his income, or his wages, which is expended in the purchase of those articles which are protected. But this is not the only tax which protection compels a community to pay. When the instruments and the plant of industry are made more costly, the products of that industry necessarily become more expensive. Iron, copper, and timber are, as we have seen, all made dearer in the United States by protection. Consequently, the machinery which is made of copper and iron becomes more expensive; the cost of buildings also, in the construction of which iron and timber are used, is increased; and this being the case, those who pay a higher price for this machinery must be compensated by obtaining a higher

price for the products which they manufacture; and those who erect the buildings will be able to claim an increased rent, in order that they may be adequately remunerated for the additional cost of their construction.

Protection is thus, in a thousand different ways, perpetually taxing the American people. There is not one single branch of her industry on which it does not impose a penalty more or less severe. Its influence may he traced far and wide over the country. It increases the cost of the implements by which the land in the far West is tilled; it causes a higher rent to be paid by the poorest artisan lodged in a back street in New York. The burden thus cast upon the industrial classes is so severe as to neutralize to a considerable extent her great natural advantages. Although wages are considerably higher in the United States than in England, much of the advantage which labor should derive from these additional wages is lost in consequence of almost every article in general use being made unnecessarily dear by protective duties. The wages of an American workman are in this way deprived of an important part of their purchasing power, and when trade becomes depressed the effects of industrial depression are from this cause, as will be subsequently shown, most seriously aggravated.

10. When protection has once been introduced into a country, it is argued that it should embrace as many industries as possible; because if only one industry were protected, the general public would receive no compensation for the higher price which they would have to pay for the product of this particular industry. If, however, protection embraces the entire industry of the country, each industrial class is in its turn benefited, and is amply compensated for the increased dearness of various articles.*

* The manufacturing interests are beginning to regard coal, iron ore, pig iron, wool, and other articles of domestic production as raw articles, not to be protected by duty. If this new doctrine should get a foothold it would destroy the whole protective policy of the government. The rule of protection must extend

This argument has been enforced with much ingenuity by M. Alby, a well-known French protectionist. He contends that if the iron interest alone were protected in France, the policy would be absolutely indefensible, because every one in France would have to pay more for iron in order to give an advantage to those engaged in the French iron trade; but he urges that this objection is entirely removed if all industries are equally protected. For instance, if the cloth trade is protected, the benefit which those engaged in it are supposed to derive, more than compensates them for the loss they have to bear in paying an increased price for iron. It has been shown with great clearness by the late Professor Cairnes,* that it is impossible to extend protection to all industries in the manner here contemplated; and even if such an extension were practicable, the compensation which it is assumed the community would receive, would be entirely illusory. It is obvious, in the first place, that this argument entirely overlooks the interests of the professional and other classes who obtain their incomes otherwise than by trade. A physician with £1,000 a year, or a policeman with £1 a week, would find that almost everything he purchased was made dearer by protection; while his income was in no way increased by it.

With regard to the impracticability of extending protection to all industries, it is only necessary to remark that in many industries there is no foreign competition, and it is consequently impossible to extend protection to them. For example: wine is not imported into France, and wheat is not imported into America. An import duty imposed upon

to all labor alike; to the labor of the farmer in producing wool, and to the labor of the miner in digging coal, and if it is denied to the farmer and miner it cannot justly be maintained in favor of the manufacturer. It is labor that is to be protected, and not capital. It is, indeed, more important to develop the natural resources of the country in the production, mining, and manufacture of such articles as wool, coal, and iron, than to protect the higher forms of production, where cheap labor is indispensable.—*John Sherman*, 1884.

**Leading Principles of Political Economy*, p. 454, *et seq.*

wine in France, or on wheat in America, would therefore be of no advantage to the French wine-grower, or the American farmer. They are consequently precluded from receiving any compensation for the higher price which they are compelled to pay for the various articles that are made dearer through the operation of protective duties.

11. Protection is defended in America and the Colonies on the ground that, as wages are higher there than in England, the American and colonial traders require protection in order to place them in a position of equality with their English competitors.

This claim for protection is evidently based on the assumption that the amount of wages paid to laborers is the only element of which account need be taken when considering the cost of producing a particular article. The fallacy of such an opinion at once becomes apparent, when it is remembered that agriculture is the particular branch of industry in which the difference between the wages paid in England and those paid in America or Australia is the greatest. And yet it is in agriculture that America and Australia can, without the slighest protection, compete most successfully against England. The Illinois or Australian farmer has to pay his laborers at least two or three times as much as is paid by the Dorsetshire or Wiltshire farmer, and yet wheat can be produced much more cheaply in Australia or America than in England. It is therefore obvious that other circumstances, besides the amount of wages which may be paid, determine the cost at which any particular article can be produced; if this were not so, the American farmer would have a much stronger claim to protection against the cheap labor of England than the American manufacturer. The efficiency of labor must manifestly exert quite as much influence on the cost of production as the amount of wages which the laborers receive. The great abundance of cheap, fertile

land in Australia and America so much promotes the efficiency or productiveness of the labor employed in its cultivation, that the cost of producing wheat and other agricultural products is much less than in England, where considerably lower wages are paid to farm laborers. Again, with regard to mining industry, it is evident that various circumstances, such for instance as the richness of the mineral deposits and their depth from the surface, must exercise a far greater effect upon the cost of production than the wages which may happen to be paid to the miners. In manufacturing industry also, the possibility of one country obtaining raw material at a less cost than another, may more than compensate the additional expense which may be thrown upon the manufacturers of the former country by the payment of higher wages. With regard to America and Australia, it is to be particularly noted that the great natural resources which they possess must confer upon them many advantages in industrial competition of which there is no probability that they can be deprived. Their almost inexhaustible supplies of fertile land give them advantages such as are possessed by scarcely any other country. Their mineral resources are so great that if they suffer from foreign competition, it must be through their own want of skill and enterprise. Even in manufacturing industry, where it is supposed that protection is most needed, it must be remembered, that as England imports large quantities of cotton from America, and of wool from Australia, these countries must with regard to some most important branches of manufacturing industry enjoy the advantage of cheaper raw material. It is, moreover, deserving of special remark, that the difference in wages in countries between which there is an extensive migration of labor must constantly diminish. When emigration has continued for some time, the objections to it are sure gradually to lessen; it becomes much more of a national

habit, and the prospect of a comparatively small difference in the remuneration of labor may be sufficient to induce people to leave their own country, if they think they shall be settling amongst friends and relations, which would prove altogether inadequate if they had to seek a new home amongst strangers. This increasing readiness to emigrate must exert an equalizing influence on wages, and must cause the difference in wages in the two countries, between which the migration takes place, steadily to diminish.

12. Another argument against free trade is that protection, having been once established, cannot be abolished without causing great loss both to employers and employed in those trades which have been protected.

It cannot, I think, be doubted that the loss which might be inflicted upon many special trade interests by the abolition of protection constitutes by far the most serious obstacle in the way of general adoption of free trade. Exaggerated estimates are no doubt formed of the loss which would be actually caused; but however great may be the stimulus which free trade would give to the prosperity of such a country as the United States, it would in my opinion be impossible suddenly to abolish protection without causing considerable loss to the employers and employed in many trades which, through its aid, had been fostered into a kind of unnatural existence. No industrial change, however beneficial, has ever been introduced without causing some loss and inconvenience to certain special classes. The mechanical inventions which have done most to enrich mankind were not brought into general use without causing great loss and suffering to many whose labor they supplanted. Seldom has a class endured more severe hardships than were borne by our handloom weavers during the years that they carried on a prolonged and hopeless struggle, striving in vain to compete with products which were made by machinery at a far cheaper rate. Even stage-coaches

could not be superseded by railways without some individuals being injured by the change. Although the aggregate wealth of the country was enormously increased, yet in certain special cases property which was before of great value became almost worthless. Along the roads which used to be our great thoroughfares are still to be found the remains of large inns and posting-houses which formerly let for many hundreds a year; but immediately the railways drew away the traffic these inns so entirely lost their custom that they had scarcely any value at all; many of them were pulled down, and others were converted into cottages. Any attempt to oppose the use of a mechanical invention because of the loss which it may cause to certain individuals meets with almost universal disapprobation. Nothing, it is maintained, can be more unreasonable than to allow the temporary interests of a few to stand in the way of the permanent advantage of the entire nation. If this principle holds good with regard to the benefits conferred upon a nation by the introduction of a mechanical invention, it holds equally true with regard to the still greater benefits which a nation will derive from the adoption of an unrestricted commercial policy.

13. Protection can be advantageously introduced into a young country as a temporary expedient, since various industries which will ultimately prosper without protection require its aid in the early stages of their existence.

This argument in favor of protection, which has been reserved to the last for consideration, is deserving of special attention, not only because of the great weight which is attributed to it by the advocates of protection in the Colonies and in the United States, but also because it has obtained a great amount of importance from the support it received from the late Mr. J. S. Mill. In a passage which protectionists at the present day so repeatedly quote that they seem almost to regard it as the charter of their policy, Mr. Mill says:

"The only case in which, on mere principles of political economy, protecting duties can be defensible, is when they are imposed temporarily (especially in a young and rising nation) in hopes of naturalizing a foreign industry, in itself perfectly suitable to the circumstances of the country. The superiority of one country over another in a branch of production often only arises from having begun it sooner. There may be no inherent advantage on one part, or disadvantage on the other, but only a present superiority of acquired skill and experience. A country which has this skill and experience yet to acquire may in other respects be better adapted to the production than those which were earlier in the field: and besides, it is a remark of Mr. Rae, that nothing has a greater tendency to promote improvements in any branch of production than its trial under a new set of conditions. But it cannot be expected that individuals should at their own risk, or rather to their certain loss, introduce a new manufacture, and bear the burden of carrying it on until the producers have been educated up to the level of those with whom the processes are traditional. A protecting duty, continued for a reasonable time, will sometimes be the least inconvenient mode in which the nation can tax itself for the support of such an experiment. But the protectionism should be confined to cases in which there is good ground of assurance that the industry which it fosters will after a time be able to dispense with it; nor should the domestic producers ever be allowed to expect that it will be continued to them beyond the time necessary for a fair trial of what they are capable of accomplishing." *

There is no one more ready than I am to recognize the high authority of Mr. Mill as an economist, and I will at once admit that the arguments which he advances in favor of the imposition of protection in a young country would

* See *Principles of Political Economy*, by J. S. Mill, fifth edition, vol. ii, p. 525.

be conclusive if there were a reasonable probability that the conditions under which he supposes that such a protective duty could be imposed would ever be realized. It will be observed in the passage above quoted that he is most careful to explain that protection can only be justified as a temporary expedient; and every word which he says in support of protection rests on the supposition, that when an industry has been fairly established the protective duty will be at once voluntarily surrendered by those who are interested in the particular industry. It is, however, incontestably shown by what has happened in the United States and other countries where protection has been long established, that it is absolutely impossible to impose a protective duty under the stipulations on which Mr. Mill so emphatically insists. Whatever professions may be made by those who first ask for protection that it is only required for a limited period, and that it is only needed to enable an industry to tide over the obstacles which may beset its first establishment, it is invariably found that when an industry has once been called into existence through protection, those who are interested in it, whether as employers or employed, instead of showing any willingness as time goes on to surrender protection, cling to the security and aid which they suppose it gives their trade with ever-increasing tenacity. This is shown in a very striking manner by the experience of nearly a hundred years of protection in the United States. In no single instance has a protective duty, when once imposed in that country, been voluntarily relinquished. Far from any tendency being shown by those who are connected with the industries which enjoy protection to face free competition, they constantly display a feeling of greater dependence, and demand with reiterated urgency, additional safeguards against their foreign rivals. A well-known American economist, Professor Sumner, has said: "Instead of strong, independent industries, we have to-day only a

hungry and clamorous crowd of 'infants.'" Again, Mr. Wells, with equal force, has remarked: "Although the main argument advanced in the United States in support of protective duties is that their enactment is intended to subserve a temporary purpose, in order to allow infant industries to gain a foothold and a development against foreign competition, there has never been an instance in the history of the country where the representatives of such industries, who have enjoyed protection for a long series of years, have been willing to submit to a reduction of the tariff, or have voluntarily proposed it. But, on the contrary, their demands for still higher and higher duties are insatiable and never intermitted." *

No amount of theoretical reasoning as to the desirability of imposing a protective duty as a temporary expedient in a young country, can outweigh the warnings derived from experience that no security can be provided against the permanent continuance of a protective duty when it has been once imposed. If, after protection has been in operation for nearly a hundred years in the United States, the various protected interests display a growing determination to resist any change in the direction of free trade, what reason is there to suppose that what has happened in America will not in future years occur in Australia and other countries, if they should carry out the policy which now seems to find favor with them, of calling into existence various branches of industry by the imposition of protective duties?

* "Cobden Club Essays," second series, 1871, p. 529.

CHAPTER XVI.

PROTECTION AND ITS USES.

By Professor W. D. Wilson, *
Cornell University.

WHAT MAKES A TARIFF PROTECTIVE.

A TARIFF, to be protective to any particular form of industry, must, of course, always be equal to the difference between the rate at which the commodity can be produced in the country of its production, and that at which it can be produced in the country of its consumption. Thus, if cotton cloth can be produced in England, and sold, after cost of transportation here, for ten cents per yard, and it cannot be produced here for less than twelve, two cents per yard would be a protective tariff, and anything below that could not operate as protection; above that, it would be, virtually, prohibition.

EFFECT OF A TARIFF THAT IS BELOW PROTECTION.

A tariff that falls below the point at which it is protective, cannot fail to increase the price of the article to the consumer; for it would raise the price of the article by the amount of the tariff, without creating any competition among domestic producers, so as to reduce the price, by means of their competition, one with another.

* "First Principles of Political Economy with reference to Statesmanship and the Progress of Civilization." Phila., H. C. Baird.

Or again, a tariff upon articles, that for any reason a nation cannot produce, as for example, cotton in England, would only enhance the price to the extent of the tariff, and for the same reason, as a "revenue tariff," as it is sometimes called, would raise prices there permanently. There are, or can be no domestic producers to reduce it by competition, (1) among themselves, or (2) with foreign producers.

A tariff then, upon articles which we cannot produce, or a tariff that fails to be protective upon what we can produce, but does not, only increases the price of the article to the consumer.

And even a tariff for protection, if it be needed at all for that purpose, will raise the price of the imported article for the time being. But if it be an article which the laborers of that country can produce to advantage, the tariff will have the effect of creating an increased demand for labor, and thus, by raising the price of labor in all branches of industry, it will enable the people of the country generally to buy the article more easily than before, even at the advanced price.

LIMITS WITHIN WHICH PROTECTION IS POSSIBLE.

And here, I think, we have a hint at the limits within which protection by way of tariff can be good statesmanship for any country. Protection for its own sake, and with a mere vague notion of doing good somehow, is but an idle fancy of a not very clear brain.

A protective tariff on what cannot be produced is almost a contradiction in terms. But a tariff with a view to protect what can be produced only at great disadvantage, will be an unnecessary tax upon the industry of the surrounding country ; for the reason that it takes so much more labor to produce the article in the one country than in the other.

But the test is the amount of labor—not the wages, or the cost of the labor.

Thus, for example, I suppose we might in this country construct square miles of hot-houses, and raise all the coffee we have occasion to use. But it would be a very costly process. It would require a very high tariff to protect that kind of industry. And it would be very bad policy; for although it would diversify industry and raise the wages of the laborer, it would nevertheless be an unremunerative tax upon the industry of the country. It would be, to a large extent, money thrown away. It would take, perhaps, ten times as much labor to build hot-houses and raise the coffee as it would to earn the money and pay for the article at the price at which it could be imported, and hence, if I am right in estimating the proportion, about nine-tenths of the labor of raising the coffee at home would be a total loss to the world; the men who were engaged in performing the work might as well have been idle nine-tenths of the time, or nine out of ten of them idle all the time, as to have engaged in making the preparations for raising coffee under such great disadvantages of natural position.

LIST'S DOCTRINE.

Mr. List, in his work on *National Political Economy*, has shown, as it seems to me, that there are three stages in a nation's history, in reference to the policy of protection. In the first stage, when the people are but few, capital scarce, and land plenty, protection cannot effect any good result. A tariff merely taxes the people to no purpose. But, as soon as the people become more numerous, and capital has begun to accumulate, they will need to diversify their industry, by the introduction of manufactures, and for this, most likely, some well adjusted scheme of protective duties will be necessary. This constitutes the second stage. The third occurs, when the nation has become so rich, so densely populated, that there remains no new form of industry to be domesticated, and no fear of evil from competition with other

nations. In this stage, a protective tariff will be a mere dead letter. There will be but little importation of what the nation can produce, and there can be no importation that will lower the price of commodities, whether we regard those imported, or those of domestic production. In the first stage, therefore, protection is unavailing, and a damage. In the second, it is effective and beneficial. But in the third, it is unavailing and useless, a mere dead letter on the statute books.

The fact, however, that a protective tariff raises the money price of the protected article at first, and for a time is only a *prima facie* objection to such a tariff, at most.

PROTECTION AND NATIONAL INDEPENDENCE.

The general reasons for protection may be arranged under three heads.

1. No nation can be independent of another that does not produce all that it needs for consumption. Give any nation, however small, the exclusive power to manufacture gun-powder, and you will make that nation the mistress of the world. The same is true, though to a less extent, of every other article, that is, as is felt to be a necessity of life.

It is sometimes said that this would be a means of keeping nations at peace. And doubtless so it would, to some extent. It would not, however, be the peace of equality and right; but the peace rather that comes from the uncomplaining, unresisting submission of the weaker to the stronger.

DIVERSIFICATION OF INDUSTRY.

2. The second fact is, that no community can be thrifty without a diversification of labor; and, as a general rule, the greater the diversification of labor, the greater the number of productive employments, the more nearly do we reach the condition of the greatest thrift, namely, the greatest industry of the greatest number.

Thus, if *all* the people of a country are agriculturists,

agricultural labor and agricultural products will be very cheap in their money value, and all other things will be very dear in their labor value, however cheap in their money value. Hence the laborers will be able to buy but little, however much they may have to sell.

If then a nation be so situated, that a protective tariff is necessary as a means of introducing manufactures, or any new form of productive labor which it is desirable to have, there can be no doubt of the wisdom of such a measure, provided, the new form of industry is one that is so well adapted to the people and the country, that when once introduced, it can be carried on with profit, and without continued protection.

FREE TRADE REDUCES THE WAGES OF THE LABORERS.

3. The other is the fact that free trade between nations will sooner or later bring the price of labor—wages—to the same level the world over, and that level will be the lowest figure to which tyranny and misgovernment can reduce the laborers anywhere.

Equality in skill, machinery, and other facilities for manufacture, are so nearly within the reach of all nations, that we may consider them equal everywhere. The facilities for transportation are so great, that the cost of transportation has become an exceedingly small per cent. in the cost of all the most valuable articles we produce.

Hence with free trade we bring all the most valuable articles into competition in the one great commercial center of the world. The producers of the raw materials, wherever they are, must bear the cost of transportation thither, and if they are consumers too, they must bear the cost of transportation of whatever they consume, back from the place of manufacture to themselves. And he who can hire labor the cheapest, can of course, other things being equal, make himself the commercial centre and drive all other competitors out of the market, and thus control the market of the world.

CHAPTER XVII.

SPEECH OF HON. GEORGE McDUFFIE,

OF SOUTH CAROLINA,

In the Senate, January 29, 1844.

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THE senator from Maine [Evans], by a course of reasoning which, if it can be comprehended at all, is certainly not inductive, holds the reverse of all these doctrines. In one part of his argument, he maintains that it is better to pay a high price for manufactures made at home than a low price for those made abroad, though these latter are necessarily obtained in exchange for productions made at home. In another part, he maintains the yet bolder position, that a high rate of duties upon imports diminishes their prices, and a low rate enhances them! These are certainly most admirable illustrations of Lord Bacon's method of investigating the great truths of philosophy!

I propose now, sir, to analyze the arguments by which the Senator reaches these wonderful results in political economy. In the first place, he says that when we impose a duty upon foreign imports,—of cotton manufactures for example—the effect of that duty is to reduce the price of the foreign manufacture abroad, thus throwing back the burdens of our taxation upon the people of foreign countries! Indeed, sir, if this theory can be made good by the inductive or any other process of reasoning, it will be one of the greatest discoveries ever made by any financier, ancient or modern.

What a comfortable thing it would be to make other nations supply our Treasury! But there is one consideration calculated to diminish the value of this discovery, which I would suggest to the honorable senator. This, unfortunately, is a game at which two can play, and in which the motto of both parties would be, "the hardest fend off." And we should find, in the end, as they say somewhere, that "the longest pole would knock down the persimmon."

But to speak gravely, Mr. President, if nations really possessed this power of mutually taxing each other, it would prove to be the greatest curse ever inflicted upon mankind. It would totally overthrow that system of responsibility so wisely ordained by a wise Providence for preserving the harmony of nations. It would revive, in another form, the financial system of barbarous and conquering nations, who supplied their exchequers by rapine and plunder; and nations would sink (like the Roman empire) under the weight of their own corruptions. But, sir, I think I can relieve the Senate from all apprehension of these terrible disasters, by exposing the fallacy of this new theory of taxation. And the senator from Maine has, himself, furnished me with the means of doing it. For, by another of those strange coincidences for which his speech is remarkable, immediately after stating that a duty imposed upon imported cotton manufactures would reduce the price in England and throw the burden upon the foreign producers, he held up a compendium of British statistics, showing that the whole amount of cotton manufactures annually made in that kingdom was, in value, $260,000,000 of which only $10,000,000 are exported to the United States, while the remaining $250,000,000 are consumed in Great Britain and other foreign countries. Now, is it not apparent that the price of cotton manufactures in Great Britain is regulated and fixed by the aggregate demand of the whole world, including the home demand, and that the miserable bagatelle of $10,000,000,

exported to this country, could not reduce their price in that country more than one or two per cent. if it were entirely cut off? Sir, there never was a more baseless vision than this theory of the Senator from Maine; and I thank God that nations do not possess this power of mutual taxation. If they did, it would speedily end in the utter destruction of all foreign commerce, and a fearful retrograde in the march of civilization. It being obvious, then, that the burden of taxes imposed by this government must fall upon our own people, let us trace the operation of an import duty through its several transitions, and see where it ultimately rests. It is paid, in the first instance, by the importing merchant; but, as he is free to import or not, as his interest dictates, he would instantly cease to import if he could not indemnify himself for the duty he pays by a corresponding increase in the price of the articles on which it is paid. After resting upon him for a time, the duty advanced with its accumulated interest, are transferred to the retail merchant, who in like manner transfers them to the consumer, or domestic purchaser, where they finally rest. Now, sir, I care not whether you consider the consumer or the domestic producer as bearing the burden of protective duties. In either case, the result is substantially the same. The class of imports upon which these duties are imposed, are exclusively paid for by the productions of the exporting States, and must, therefore, be regarded as the annual income of those States. And although they do not consume the whole of these precise imports, they consume an aggregate amount of imports and protected manufactures equally enhanced in price by the import duties, considerably larger than the whole amount of these imports. For besides our exports, we sell to the manufacturers cotton to the annual amount of eight or ten millions of dollars, for which they pay us almost exclusively in protected manufactures.

But the Senator asks, with apparent anxiety, if you add

$40,000,000 to the annual amount of the imports obtained for your exports, where are you to find consumers? Now, let me tell him that he need give himself no concern on this subject. There never was a people who had the means of paying for any amount of imports, however large — consisting of every variety of commodities which administer to the wants and comforts of all classes — who could not find a way to consume them. The people of the exporting States are the natural consumers of the whole of those manufactures received in exchange for their exports, precisely for a reason so often alluded to by the Senator; and that is, that they have the *means* of paying for them. How often has he said, "give the people the means of consuming foreign imports" — admitting that the power of consumption was limited only by the means. Now, sir, the people of the exporting States, while they disdain to ask this government to *give* them the means of consuming foreign imports, or anything else, have a right to demand, and they do demand, that you permit them to enjoy the fruits of their own honest industry, and release them from that infamous system of legislative plunder, by which their means of consumption are unrighteously taken from them, and transferred to the people of more favored regions. And I tell the Senator from Maine that they can not only consume the whole of those imports which are purchased by the productions of their industry, but that they can do so with the proud consciousness that what they consume is emphatically their own, derived from no unjust and iniquitous monopoly, but from the blessing of God upon their own lawful industry.

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If the great staples of the South and West were equally diffused over the North and East, and the manufactures of the latter, in like manner, diffused over the former, do you suppose this system would stand for a single year? I do not believe it would command ten votes in this body. Or,

consider this whole country, with its now conflicting interests, as an estate belonging to a single proprietor. Would these interests stand in conflict any longer? Would such a proprietor have the consummate folly to cut off the imports of foreign manufactures from one branch of his estate, that he might supply their place, at an increased cost of forty per cent., by another branch? Sir, it is vain to disguise the fact that it is because the interests of the United States are not homogeneous, that this protective system has grown up to its present gigantic stature. If the interests of the people, like the government, were a unit, and the question was, how to produce the greatest aggregate income for the whole, not a man could be found so absurd as to propose the exclusion of foreign manufactures because they are cheap, and substitute domestic manufactures at higher prices, as a means of increasing the national income.

But, Mr. President, to bring all these views to a practical test, and to demonstrate the gross and revolting inequality and injustice of this protective system, I will suppose that the Union were now peaceably dissolved, and that three separate confederacies were formed—one consisting of the Middle and Eastern States, another of the Western and Northwestern States, and the third of the Southern and Southwestern States—denominated respectively the manufacturing, the farming, and the planting confederacies. Each of these would, of course, be remitted to its original and inherent right of self-government, and divested of all power to control or influence the legislation of the others. Now, I propose to inquire what would be the obvious policy of each of these confederacies on the great questions of free-trade and protection, and how the interests of each, considering the subject merely with a view to national wealth, would be affected by the political change I have supposed. And I will first draw a faithful picture of the condition of the southern and southwestern confederacy under the new

order of things and hold it up to the view of the Senate in contrast with its present condition, and ask the advocates of the protective policy to "look at this picture, and look at that," and say whether it is not "Hyperion to a Satyr."

Judging from our past experience, it would be within limits to assume that the exports of the planting confederacy would amount annually to at least a hundred millions of dollars under that system of free-trade which would, of course, be adopted; and in return for this there would be an annual amount of imports equal to one hundred and twenty millions of dollars; for we should sell as much and buy as much as possible, having no dread of a balance of trade in our favor; in other words, of receiving more value than we gave. A duty of ten per cent. on these imports would yield an annual revenue of $12,000,000—a most abundant supply for all the imaginable wants of the government; which would not only be raised with one-fourth part of the burden now imposed upon our people, but the whole of it would be expended among them; whereas, of the enormous contributions now drawn from the productions of our industry, scarcely anything is returned to us in the shape of disbursements. Now, sir, I have made a statement, with all the truth and unadorned simplicity of history, of what every man must know would be the policy pursued by the Southern and Southwestern States under a separate government, and of the results of that policy as it would affect their wealth and prosperity. And yet, sir, that statement, in which I defy any senator to point out the slightest coloring or exaggeration, discloses to every mind, capable of comprehending it, the elements and causes of one of the most extraordinary revolutions in the prosperity of States to be found in the history of the world, whether proceeding from change of government, commercial discoveries, or any other cause. Sir, no imagination can adequately portray the increased prosperity of the States in question, in all its

developments. Their annual income—the annual amount of consumable commodities which they would receive as the reward of their industry, to be distributed among all classes, would be increased from $72,000,000 to $108,000,000, or in that proportion—to say nothing of the employment and means of enjoyment which would result from the disbursement of the revenue. The cities of Charleston, Savannah, and New Orleans, in some of which it may be said that the grass now grows in the streets, would rise from their ruins as if by enchantment, and rival the best days of New York and Philadelphia. And more than all, sir, the spirit of the people, broken down by the steady and progressive decay of their fortunes, would rise with renovated energy amidst the animating spectacle of a general and progressive prosperity. But the crowning glory of this great change would be, that it was produced without the possible imputation of injustice inflicted upon others, and simply from being restored to our natural right to enjoy the fruits of our own industry.

Let us now trace the operation of this political change upon the prosperity of the manufacturing confederacy of the Middle and Eastern States. The manufacturers now receive an annual bounty of about $50,000,000 from the combined system of revenue and protective duties, laid mainly upon that branch of imports which would now belong to a separate and independent confederacy. Of this they would of course be deprived. The whole protective system would be at an end. Their new government would have no means to protect them, and they would need no protection. For how unnecessary and absurd would it be to impose high duties upon foreign manufactures where there would be nothing in the country with which to pay for them. They would not come in, therefore, if you would open your ports and proclaim free-trade.

The difficulty would be no longer in excluding foreign manufactures, but in obtaining a market for their own.

And where would they find that market? In the planting confederacy? They would now have to contend against the foreign manufacturers in that market, not only without a protection of forty, or even twenty per cent., but without any protection at all. It would be our right and our duty to impose the same revenue duties upon their manufactures that we should impose upon those of other countries; thus receiving a fair revenue of ten per cent. from manufactures on which we now pay a bounty of forty. And where would this manufacturing confederacy find sources of revenue? If their domestic exports may be fairly assumed as the measure of their imports, these would hardly reach twenty millions. And a duty of even forty per cent. would yield a very inadequate revenue, if compared with that of their southern neighbor. The result would probably be, that half their revenue would have to be raised by internal taxes, repugnant as these are to the notions of the Senator from Maine; and they would probably be imposed in the shape of excise duties upon those very manufactures which would be deprived of the protection of a forty per cent. duty, which they now enjoy. But, sir, I have not yet finished the gloomy portraiture of the manufacturing confederacy, as it would be under the new order of things. The states which would compose that confederacy now receive the greater portion (probably nine-tenths) of the enormous disbursements of this wasteful and extravagant government.

This is no small matter, sir; few of the most enlightened statesmen and political economists ever realized its importance, till the close of the twenty years' war which grew out of the French Revolution. During that war, the financial resources of Great Britain seemed as miraculous as the military achievements of Napoleon. With an annual expenditure of $500,000,000 for several years, of which $300,000,000 was raised by taxation, the people seemed to be, and actually were, for the time, eminently prosperous. But at

the close of the war, when these vast disbursements comparatively ceased, general depression and distress followed, instead of increased prosperity anticipated. The extraordinary influence of government disbursements at home, in raising the prices of commodities and labor, and in stimulating industry, was then, for the first time, fully disclosed. And it was the opinion of able writers and statesmen, that, during the war, the disbursement of $500,000,000 annually in Great Britain, derived from loans and taxes, very nearly indemnified the people for the current burden of taxation. But this was neither more nor less than the people of the day living upon the resources of posterity—the one bloated with artificial prosperity, the other doomed to perpetual and oppressive burdens. And now, sir, to apply this example to the case before us, how perfectly do the manufacturing States now represent the people of Great Britain during the war, and the exporting States their prosperity? Under the political change I have supposed, all the present disbursements would, of course, be withdrawn from the States which now receive them.

I have thus, sir, presented a statement of the results which would take place in the manufacturing confederacy, with the same sort of historical fidelity which I endeavored to observe in the statements I made relative to the planting confederacy. I have stated nothing speculative; but, on the contrary, results which must take place. And I now leave it to the manufacturers themselves to decide whether this plain statement does not also disclose the elements and causes of a revolution in their prosperity fully equal to, but in dismal contrast with, that which I have shown would take place among the planting States. How often have they told us that the protection derived merely from a revenue tariff would be totally inadequate to protect them from total ruin; and that we had as well apply the torch to their manufactories as to reduce the duties upon imports to that standard? If these

were not false clamors what a scene of desolation would be produced by depriving them of all protection, and leaving them, like the producers of the staples of exportation, to seek out markets abroad, where they must encounter the equal-handed competition of the whole world!

Such, Mr. President, would be the opposite and striking results produced among the planting and the manufacturing States by the political change I have supposed; while the Western and Northwestern States would find a vastly extended market in the planting States for all the productions of their farms, obtaining high prices and cheap manufactures instead of the low prices they now obtain, and the high prices they are now compelled to pay to sustain the monopolies of the protective system. Now, sir, I earnestly ask the question, What is it, in the new order of things I have supposed, that would produce such extraordinary and opposite effects in the planting and manufacturing confederacies? If, after ten years from the establishment of these separate confederacies a stranger should revisit the country, who had seen it before, he would naturally inquire what had produced the mighty changes that would everywhere meet his eye. In the South and Southwest, seeing our cities thronged with a vastly increased and prosperous population; the silence of our streets succeeded by the animating hum of active industry, and the whole country covered with tasteful and well-furnished mansions, where venerable ruins of log cabins had stood before,—he would exclaim, "What god has descended to bless this favored region, or what countries have been plundered to produce these monuments of wealth and prosperity where all was decay and poverty before?" He would be almost incredulous when informed that all this had resulted exclusively from the restoration of these States to the right of self-government, and their citizens to their natural rights. The same stranger, beholding the fallen and ruinous condition of the manufacturing States, would natur-

ally ask, "What monstrous despotism, what oppressive burdens of taxation have destroyed the prosperity which, ten years ago, distinguished these States from all their associates?" He would probably be still more incredulous when informed "that all the changes he saw had been produced by preventing those States from taxing, as they had done for twenty years, the productive industry of their southern and western associates."

Now, Mr. President, if I have not grossly exaggerated the comparative effects which would be produced upon the manufacturing and other States of the Union, by simply restoring them to the right of regulating their own several interests, how enormous must be burdens imposed upon the exporting States by the tributary vassalage to which they have been for twenty years reduced by the protective policy? I have presented this plain and practical view of the subject, in the hope of making palpable to the view of our oppressors themselves the injustice they are perpetrating. And I warn them that there is a point beyond which oppression will not be endured, even by the vilest slaves or the most loyal citizens.

CHAPTER XVIII.

THE TARIFF.

By Hon. Justin S. Morrill of Vermont,

In the Senate of the United States, Dec. 8, 1881, on the Bill to establish a Tariff Commission.

MR. PRESIDENT: I have brought this subject to the early attention of the Senate because if early legislative action on the tariff is to be had, obviously the measure proposed by Senator Eaton and passed at the last session of the Senate is a wise and indispensable preliminary which cannot be started too soon. The essential information needed concerns important interests, vast in number and overspreading every nook and corner of our country; and when made available by the ingathering and collocation of all the related facts, will secure the earliest attention of Congress, as well as the trust and confidence of the country, and save the appropriate committees of both Houses weeks and months of irksome labors—possibly save them also from some blunders and from final defeat.

An enlargement of the free list, essential reductions, and readjustments of rates, are to be fully considered, and some errors of conflicting codifications corrected.

If a general revision of the Bible seems to have been called for, it is hardly to be wondered at that some revision of our revenue laws should be invited. But changes in the frame-work of a law that has had more of stability than any other of its kind in our history, and from which an unexam-

pled growth of varied industries has risen up, should be made with much circumspection, after deliberate consideration, by just and friendly hands, and not by ill-informed and reckless revolutionists. When our recent great army was disbanded war taxes were also largely dismissed, and we have now, and certainly shall have hereafter, no unlimited margin for slashing experiments.

We can expect no further examples of receipts exceeding the estimates by nearly $100,000,000, nor expenditures falling short $200,000,000. Such violent waves, coming either to fill or to empty the Treasury, are no longer to occur. Our normal condition, modified by national growth, must be resumed. We are to consider how much, if any, of internal revenue can be relinquished, and next where and how the tariff can be safely and wisely revised, so as to leave it properly productive, and in harmony with all interests, preserving the proper equilibrium among the different branches of trade and just to every section of the country.

The amount of revenue required must be determined, and the requirement for ordinary expenses, for interest on the public debt, and for pensions, as well as for some enlargement of our Lilliputian Navy and the decent equipment of our military fortifications, is still so great that extreme protection is not so much the question as that of revenue; and with barely moderate discrimination in favor of American fields and work-shops, not leaving them in danger of unfair foreign competition, little more, it is believed, will be found necessary. If, however, there must anywhere be rusty plows, blown out furnaces, idle looms, unemployed men, and ragged tramps, then let the Old World retain these wretched evidences of hard times as long as a protective tariff will exclude them from our shores.

I have some remarks to make upon the general subject of the tariff, and prefer not to postpone them until the subject will necessarily be encumbered with details in their nature

subordinate. It is not my habit to discuss the tariff upon every question before the Senate, and I shall, therefore, make no apology, it being properly before us, for asking indulgence to give it some consideration, especially now, in the early and comparatively unappropriated time of the Senate.

In speaking to-day I cannot avoid the use of language which will show that I am proud of our country and of its people, of its public spirit and industrial energy; but I do not claim to be singular. All hearts here are wedded to American institutions, and these, as we believe, are destined to historic immortality.

I shall also speak of Great Britain; not with any hate, but in the words of Holmes, "Our little motherland—God bless her!" for how much is there in the grandeur of her life of centuries, her literature and laws that challenges unstinted admiration. But it is enough that her ways are not our ways; enough that she imposes the laws upon her own people; and when she straddles across the Atlantic and intrusively seeks to impose her free-trade shackles upon the United States, I claim the right to protest against it with as much of plain and homely emphasis as I may be able to command. Pardon me if I repel with some warmth the idea that America is ever to be exhibited as one of the fettered captives of a far-fetched and ill-planted "Cobden Club." Not that I do not appreciate the great merits of Mr. Cobden as an eminent Englishman; but his principles of free trade are no more entitled to American homage than his principles of monarchy.

No suspicion of partisanship can adhere to me if I do not outrun the fulminations against free trade of the late Democratic candidate for the Presidency; and I am confident that a "tariff for revenue only" does not excite in me more intense disgust than in the Democratic vice-presidential candidate for 1876, who vigorously supports in the *North*

American Review the measure for a tariff commission. "All parties," said General Hancock, "agree that the best way for us to raise revenue is largely by the tariff. So far as we are concerned, therefore, all talk about 'free trade' is a folly." Now that is quite in the line of what *I* propose to say.

Governor Hendricks, while treating the "plate-glass politics" of Southern Indiana with magnificent disdain, exhibits no want of sense at least when he writes that "Congress cannot look to revenue only, but must exercise judgment and discretion, and that in the exercise thereof regard must be had to the interest and welfare of each particular object of taxation, and to its comparative importance in the country. The rates cannot be uniform. A horizontal tariff is impossible."

These sentiments are not those of men in their dotage, but of live men, possibly not yet wholly retired from all political service, and on these questions they must be enrolled as acceptable political backers.

In considering the questions before us—questions, in the words of Dr. Johnson, where "the greatest powers of the understanding are applied to the greatest number of facts"—I regret that my ability is so unequal to their importance, and while I hope to advance my opinions with that modesty which is always decent, I must admit that they are opinions not suddenly formed, but such as are based on principles which have come down to us from our fathers undimmed by lapse of time, and which appear to me as the head-lights of a prosperous country now having but one heart and fifty million proprietors.

ALL TAXATION UNATTRACTIVE.

Perhaps there is no subject of equal importance more constantly before legislators than the various and complex systems of taxation upon which all civilized governments depend for enduring support, and none less attractive or so unlikely

to be patiently and laboriously investigated by the majority of those whose duty it may be to revise this joyless class of statutes. The subject affords play neither to sudden wit nor to loitering imagination, but from first to last tires everybody with a wilderness of statistics, frigid facts, and debatable problems.

The imposition of even necessary taxes upon those through whose favor we derive all our legislative authority is not fascinating work, and to some it appears so likely to obscure professed love for the people, or so threatening to official longevity, that they prefer a defensive record adverse to all taxation. They would not imperil congressional honors by taxing such necessaries of life as tobacco and whisky, and they denounce the wrong which does not leave them both free to every head of a family, and to all who may declare their intention to become the head of a family. These tender friends have no idea of subjecting tender-footed constituents to any burden beyond that of regular and eager support at the polls, and they lean to an alliance with those who maintain the good time coming, when the word *not* shall be expunged in the next revision from all the commandments; when holidays shall be equally rewarded with working days ; when mines and quarries shall spontaneously open where fortunes can be had without digging ; when paper money, hitched to undiscoverable gold, shall be created by the fiat of the government, and be distributed every morning like manna to hungry Hebrews ; when not only those who are lazy can be lazier still, but when all monopoly and ownership of property shall cease, and every one have or be the donkey he covets.

But in our country common sense and common schools and the common people are more than a match for any school of demagogues. It is satisfactory to feel that we may here safely appeal, not in vain, to the broad interests of a broad land, to the knowledge and virtue which should

guide statesmen, and to the example of illustrious men, whose lasting glory it will ever be that they bound together the people of a continent with a coherence that is fixed and invincible.

Not to have confidence in Congress would be to impeach our own institutions as well as to adopt the sneers and doubts of hereditary enemies, who have been wont to include Americans among those whom

No king could govern, and no god could please.

In the end, therefore, I am glad to believe, we shall reach the conclusions of a great people, who, looking to their enduring honor, as well as to their present and prospective interests, will cling to such salutary measures as have already contributed so greatly to our growth and character, rather than to borrowed expedients, rejected abroad, and unnatural not less everywhere in the New World than to our own people.

THE UNITED STATES PAYS ITS PUBLIC DEBTS.

The policy among ancient nationalities was to accumulate large sums in reserve for conquest or defense. Then, when war arose, no new taxes were imposed, but money was paid out so plenteously that every home industry was animated and made more profitable. We may deplore the fact that the victors often plundered and even enslaved the conquered; yet the financial economy which provided in advance for great emergencies must be commended, and it presents a striking contrast to the policy of leading nations in modern times, which seems to be to create colossal national debts, to mortgage future revenues, and pledge the honor of posterity to be responsible for both the necessities and unbounded prodigalities of their ancestors.

Under such circumstances even the ordinary burdens, national and local, cheerfully borne in time of peace and prosperity, begin to chafe, and those added by reason of

exceptional necessities are often looked upon with little composure, and even desperate resolutions are sometimes formed to summarily shake them off. The honor of making perpetual pecuniary sacrifices for one's country is nowhere too eagerly courted. New ways to pay old debts, of cunning shifts for their avoidance, are often welcomed with greater satisfaction, and it is sometimes found that these shameless expedients secure favor even among those who in private life would scorn to make a promise that could be left unredeemed.

A public debt increases the cost of living, and the obligation to pay often loses vitality and becomes decrepit with age. The early gradual extinguishment of our public debt therefore appears to me as essential to the preservation of our moral character as to our thrift. An intelligent people should be inspired with the hope of ultimate deliverance from debt; and while for such great objects the heaviest war taxes are no longer expedient, nor required, enough must remain to show that our debt-paying policy is deep-rooted and unalterable.

Abundant as our revenue now seems to be, it is not much more than equal to what has been relinquished since the war. In 1866 the receipts were $558,032,620.06, or nearly double that of Great Britain during that supreme exigency which terminated at Waterloo. Other nations may have reached the grinding limits of taxation, but so far as our country is concerned, with no ambition beyond the victories of peace, should a crisis occur calling for a fighting nation, we have unstrained resources to put two million or more of gallant men in the field, with no fear of a lack of support or adequate reward.

While extricating ourselves from public debt, and from all its inhering perplexities, as rapidly as we may, we are bound to make the burdens to be borne as light and equal as possible. A large national debt is not only a bond to

keep the peace at any price, but it is an advertised lack of national energy, which sometimes encourages bald pretensions, or invites aggressions from those who would otherwise be likely to treat us with their "most distinguished consideration."

We intend to keep the peace, but cannot consent to speak with "bated breath," nor to be financially handcuffed. It was the inferiority of neighboring and debt-laden states, as much as their German cousinship, which invited their recent absorption by Prussia. Nor can we forget that the last of the Napoleons once thought the United States ripe for spoliation. The broken-down credit of Turkey keeps the beaks and claws of all Europe uplifted to tear her provinces asunder. France has seized Tunis, and while holding the African wolf by the ears, waits to avenge Sedan by the recovery of Alsace and Lorraine. England with hands too full to indisputably grip all she now claims, covets Egypt. Austria, defeated in Italy, would be mistress of the lower Danube, and Russia sullenly awaits the inevitable hour for Constantinople. The United States, however, seeks neither colonial satellites nor territorial conquests. Contented with the past, we await without fear the possibilities of all coming centuries.

It must be admitted that a great public debt is not merely a source of weakness, perpetuating grievous taxation, but its influence is anti-republican. It largely increases executive patronage by bringing forth an unusual force of tax-gatherers, as well as a hateful brood of informers.

Though public debts are often justified by the gravity of the occasion which gave them birth, it is too evident that, *per se*, they are not public blessings. If President Jackson had thought otherwise, he would not in 1835 have announced in such exultant tones that "all the remains of the public debt have been redeemed." Our population then did not reach fifteen millions, and the hero of New Orleans was

proud of the fact that twenty-five million dollars of public debt had been extinguished in three years! A generation has passed away and another has succeeded, and we have paid off in a single year more than four times as much as was paid when the country was liberated and electrified by the feat of 1835.

Since the era of President Jackson, our population has more than trebled, and the wealth of the nation is many, many times greater; but the future President who may have the eminent fortune to announce to the American people that "all the remains of the public debt have been redeemed" will mark an epoch, and such a day will be once more celebrated as a national jubilee.*

The future of our country, its public spirit and frugality, should not hereafter be less distinguished than in the past; and the American policy, payment of the public debt, universal education, no great standing army, and the retention of so much of the tariff as will furnish ample revenue and secure to labor both employment and adequate reward, will continue to illustrate our career, and be regarded not only with patriotic affection by our own people, but with rapture by many people less fortunate.

FREE TRADE NOT THE CREED OF OUR FATHERS.

Among the original States of the Union, the most prosperous and most advanced in manufactures, as well as all others, gave up their power to regulate trade and commerce to the General Government; but with the deep conviction that their most important interests would receive greater protection, and with no fear that they would then or ever be neglected or trampled under foot. Madison, in the First

* "This month of January, 1835," said Mr. Benton, at the Washington banquet, "in the fifty-eighth year of the Republic, Andrew Jackson being President, the national debt is paid, and the apparition, so long unseen on earth, a great nation without a national debt, stands revealed to the astonished vision of a wondering world."

Congress, said such a neglect would be a fraud on the States and on the people. What inducements, let me ask, would citizens have had to pay taxes, fight battles, if after all they were to have no other protection than that accorded to foreigners subject to no tax and to no service? If State laws regulating trade and commerce were superseded, States ripe for manufactures felt more sure of being fully and efficiently guarded by the broad shield of the Union. The arms they laid down were laid down to be placed in equally friendly but stronger hands. Invisible local boundaries were to give place to ramparts planted on national frontiers. Free trade was to be opened to coequal sister States, and to sister States only, but assuredly not to be opened to peoples bearing no part of our public burdens; least of all, not to be opened to foreign rivals, nor to foes from whom we had heroically just won our independence. No national government then practiced or advertised the policy of free trade, and one only now pretends to any faith in that much-battered creed, and that one appears nothing loath to renounce it whenever and wherever adherence fails to promote her interests.

States having a deficient population, with limited manufactures and remote from markets, most require protection. By no other means can their growth and prosperity be so surely advanced. It is manufactures in their infancy, in States hardly starting in diversified occupations, which need creative stimulus. This was understood and declared by the framers of our Constitution, and reiterated, without discordant notes, for many years after the adoption of that instrument. The first petition to Congress, coming from Maryland, asked for protection to manufactures, and the next, from Virginia, asked for protection to salt, and subsequently to other articles. The preamble to the first revenue act set forth that it was "for the discharge of the debts of the United States and encouragement and protection of

manufactures." The Congress of 1789 was not ashamed to avow its policy, and did not hide it in incidentals nor in judicious euphemisms.

OUR EARLIEST STATESMEN ALL FOR PROTECTION.

Hamilton, after Burke, the profoundest statesman of his age, while Secretary of the Treasury under President Washington, brought forth his masterly reports, which for political wisdom and administrative ability will be consulted and quoted as authority as long as our Republic endures. His arguments for establishing public credit, for funding the public debt, and that favoring the imposition of duties on imports for the protection of domestic manufactures, were unanswerable then and unanswerable they remain, and having been so considered, were reprinted, many years after the tragical death of the author, by a Democratic Congress as the work of a gifted statesman, lifted far above the plane of merely political controversy.

Jefferson, in his "Notes on Virginia," had expressed some views adverse to the establishment of manufactures, but subsequently his views underwent a radical change, and, besides employing twenty of his slaves in making nails, he also became a practical manufacturer to the extent of running one carding machine, two spinning jennies, and a loom with a flying shuttle. In 1816 he writes: "Experience has taught me that manufactures are now as necessary to our independence as to our comfort."

The policy of protection was adhered to by Adams and Jefferson. There was little dissent, apparently, from any quarter, and the leading argument in support of the tariff of 1816, must be credited to Mr. Calhoun, who, almost for the first time, then exhibited his remarkable logical resources in debate. It was supposed that future wars with England were probable, possibly inevitable, and absolute independence in peace or war was to be broadly and resolutely asserted.

President Monroe, by precept and example, was almost a fanatic as to the policy of encouraging American manufactures. Soon after he was inaugurated, he made, in 1817, his extensive tour through the Northern and Eastern States, from the Atlantic to Detroit, clad in *blue homespun* and a cocked hat. He was met by crowds of people at every town, and he not only thoroughly inspected our naval depots, arsenals, and fortifications, but he was equally inquisitive in regard to our very humble but growing manufacturing establishments; and one very small one, then just starting, for the manufacture of copperas, in my native town, he traveled much out of his way to visit in Vermont, which enabled me, a mere child, by going on foot two miles and a half on a rainy day, to see the man of whom Jefferson said that 'if his soul were turned inside out, not a spot would be found on it.'

General Jackson was a member of the Senate, and voted for the tariff of 1824. From one of his letters, written in the same spirit with which he had earlier, when a boy-prisoner, refused to black the boots of a British officer, I copy the following words:

"Upon the success of our manufactures as the handmaid of agriculture and commerce, depends, in a great measure, the independence of our country; and I assure you that none can feel more sensibly than I do the necessity of encouraging them."

There is no authority upon the interpretation of the Constitution standing above that of James Madison, justly called the "Father of the Constitution." His letter to Professor Davis, so late as 1833, after referring with approbation to a recent tariff speech by Mr. Webster, at Pittsburgh, presents elaborate and impregnable arguments in behalf of protection, and in that remarkably cogent and lucid style which adorned all the writings of this peerless statesman. Might not this able, patriotic, and unselfish Virginian have said, as sadly

as Bacon, "I leave my name and memory to foreign nations, and to *mine own countrymen*, after some time is passed over"?

Later we have endured seasons of instability, but our nearest approaches to free trade have been seasons of national disaster, strewn with the wrecks of general ruin, as were the years '37, '47, and '57; and the further we have receded from free trade, the better has labor fared and the greater has been the material and, I do not hesitate to say, the educational advancement of the country. Free trade with foreign nations affords no buoyancy to life at home, but, like a patent life-preserver wrongly adjusted, would put our heads under water and heels uppermost.

Henry Clay, personally, long the best beloved public man in the United States, was most distinguished as the bold leader of protection to home industries, and might more than once, perhaps, have been elected to the Presidency, but for his stiff utterance, his "rather to be right than be President," and his moderate opinions upon slavery and Texas annexation. When, among other States, Missouri was carried for him in 1824, Mr. Benton was a most prominent supporter, and, upon the ground, as stated by him, "that the most efficient protector of American iron, lead, hemp, wool, and cotton, would be the triumphant champion of the new tariff." (Mr. Benton, however, soon bowed to other gods) and Mr. Clay, in 1844, was beaten by Mr. Polk on the Texas issue, and also by having his protective garments suddenly stolen from him by Mr. Polk, who came out at the last moment in favor of "fair protection to our agriculture, manufactures, and commerce." At the decease of Mr. Clay, Mr. Brenckinridge, a life-long political adversary, but a knightly neighbor, declared in his eloquent eulogy:

"If I were to write his epitaph, I would inscribe as the highest eulogy on the stone which shall mark his resting-

place, 'Here lies a man who was in the public service for fifty years, and never attempted to deceive his countrymen.'"

Kentucky is a noble State, of ample proportions, peopled by a gallant race, and is entitled to great credit for the pure-blooded stock — the Durhams and Lexingtons — of her blue-grass regions, with large disputable claims for the quantity and quality of her pure Bourbon products; but the home of Henry Clay ought to have led our people in the activities of material development, interweaving all the prosperity evolved by various skilled industries; and, though Kentucky has not been a leader in the early part of the race, it may be confidently expected she will yet save herself on the "home-stretch." Georgia and South Carolina, losing no time in belated hosannas to State-rights idolatries, seem alive to that statesmanship which brings them to the front of growing prosperity; and mainly because these elder sister States with great energy, appear now to have practically accepted Henry Clay's masculine policy of "entire independence of all foreign States as respects our essential wants." The whole country owes endless gratitude to the great Kentucky statesman, the splendor of whose oratory may be forgotton and his compromises forgiven, but whose early patriotic advocacy of American industries and their protection, will forever cause his memory to be decorated with fresh flowers culled by the hands of labor in every State.

Among turfmen — and the ministers of Great Britain have rarely been strangers to the sports of the turf — the well-known rule of handicapping for differences of age, or sex, and for recorded speed in previous races is recognized and inflexibly demanded. No free-trade axioms are tolerated at the Derby, but younger colts and fillies are protected by a stringent tariff of weights against greater age and against prior records of speed. All the racers of England have had this protection increased at every successive

race against the American Parole and Iroquois. If, then, horses may with stern propriety be protected against any odds, why may not men? If it would have been wrong to allow Parole to carry off all prizes with no increase of weight to be successively borne, it would be equally wrong to permit younger and less experienced nations in manufactures to submit to and be distanced by those long possessed of foremost advantages and the previous winners in many contested fields. And yet the owners of Manchester and Birmingham five-year-olds hold that a match with Atlanta and Indianapolis, two-year-olds, is equal, just, and scientific, and refuse to be comforted whenever they are fairly handicapped by protective tariffs.

Rather vain of our Anglo-Saxon origin, as we all willingly admit ourselves to be, we are also prone to think much of English blood in the brute creation. Accordingly will it be denied that a few of our most erudite and highest bred American newspaper editors, who have adopted as a science the eccentric free-trade dogma of Great Britain, appear to have a strange fancy for an English bull-dog at their front doors to bark at everything American which passes by, and were those who follow the teachings of Jefferson and Clay, of Jackson and Webster, to be passing, would they not have to jump out of their tracks or find the teeth of these un-American dogs in the calves of their legs?

But whenever these editors, otherwise excellent, come to thoroughly explore their free-trade dogma, they will find it like all other commercial rules and regulations, solely a matter of expediency, destitute of even a protoplasm of exact science, and then it may be expected that these barking sentinels will no longer be useful even in the most vociferous partisan warfare.

THE TARIFF OF 1861.

The tariff act of 1861, which, by a nick-name given by baffled opponents as an echo to a name so humble as my

own, it was perhaps hoped to render odious, was yet approved by a Democratic President, and gave to Mr. Buchanan a much-needed opportunity to perform at last one official act approved by the people.

If I refer to this measure it will not be egotistically, nor to shirk responsibility, but only in defense of those who aided its passage—such as the never-to-be-forgotten Henry Winter Davis, Thad. Stevens, and William A. Howard, and, let me add, the names of Fessenden and Crittenden—and, without the parliamentary skill of one [Mr. Sherman] now a member of this body, its success would not have been made certain.

And yet this so-called "Morrill tariff," hooted at as a "Chinese wall" that was to shut out both commerce and revenue, notwithstanding amendments subsequently piled and patched upon it at every fresh demand during the war, but retaining its vertebræ and all of its specific characteristics, has been as a financial measure an unprecedented success in spite of its supposed patronymical incumbrance. Transforming *ad valorem* duties into specific, then averaging but 25 per cent. upon the invoice values, imposing much higher rates upon luxuries than upon necessaries, and introducing compound duties* upon woolens, justly compensatory for the duties on wool, it has secured all the revenue anticipated, or $198,159,676 in 1881 against $53,187,511 in 1860, and our total trade, exports and imports in 1860, of $687,192,176, appears to have expanded in 1880 to $1,613,770,633, with a grand excess of exports in our favor of $167,683,912, and an excess in 1881 of $259,726,254, while it was $20,040,062 against us in 1860. A great reduction of the public debt has followed, and the interest charged has fallen from $143,781,591 in 1867 to about $60,500,000 at the present time.

If such a result is not a practical demonstration of healthy

* The Dominion of Canada has since imposed duties upon a large number of articles.

intrinsic merits, when both revenue and commerce increase in much greater ratio than population, what is it? Our imports in the past two years have been further brilliantly embellished by $167,060,041 of gold and silver coin and bullion, while retaining in addition all of our own immense domestic productions; and it was this only which enabled us to resume and to maintain specie payments. Let the contrast of 1860 be also borne in mind, when the excess of our exports of gold and silver was $57,996,004.

As a protective measure this tariff, with all its additional amendments, has proven more satisfactory to the people and to various industries of the country than any other on record. The jury of the country has so recorded its verdict. Agriculture has made immense strides forward. The recent exports of food products, though never larger, is not equal by twenty-fold to home consumption, and prices are everywhere more remunerative, agricultural products being higher and manufactures lower. Of wheat, corn, and oats, there was produced 1,184,540,849 bushels in 1860, but in 1880 the crop had swelled to 2,622,200,039 bushels, or had much more than doubled. Since 1860 lands in many of the Western States have risen from 100 to 175 per cent. The production of rice, during the same time, rose from 11,000,000 pounds to 117,000,000 pounds. The fires of the tall chimneys have everywhere been lighted up; and while we made only 987,559 tons of pig-iron in 1860, in 1880 we made 4,295,414 tons; and of railroad iron the increase was from 235,107 tons to 1,461,837 tons. In twenty years the production of salt rose from 12,717,200 bushels to 29,800,298 bushels. No previous crop of cotton equaled the 4,861,000 bales of 1860, but the crop of 1880 was larger, and that of 1881 is reported at 6,606,000 bales. The yield of cotton from 1865 to 1881 shows an increase over the fifteen years, from 1845 to 1861, of 14,029,000 bales, or almost an average gain of a million bales a year.

The giant water-wheels have revolved more briskly, showing the manufacture of 1,797,000 bales of cotton in 1880 against only 979,000 bales in 1860, and this brought up the price of raw cotton to higher figures than in 1860. Thirteen States and one Territory produced cotton, but its manufacture spreads over thirty States and one Territory. The census of cotton manufactures shows:

	1860.	1880.
Capital invested,	$98,585,269	$208,280,346
Number of operatives,	122,028	175,187
Wages paid,	$23,940,108	$41,921,106
Value of productions,	115,681,774	192,773,960

It will be found that a larger amount of capital has been invested in cotton mills than in woolen, and that the increase of productions has been large and healthy, a very handsome proportion of which is to be credited to Southern States. Goods of many descriptions have also been cheapened in price. Standard prints or calicos which sold in 1860 for nine and one-half cents per yard now sell for six and one-half cents.

The census returns of woolen manufactures show the following astonishing results:

	1880.	1860.
Males employed,	74,367	24,841
Females employed,	65,261	16,519
Capital invested,	$159,091,869	$30,862,654
Wages paid,	47,115,614	9,808,254
Value of raw material consumed,	162,609,436	36,586,887
Value of annual product,	265,684,796	61,895,217
Importations of woolens,	33,613,897	37,876,945
Annual production of wool, pounds,	264,500,000	60,511,343

It thus appears, that while the number of hands employed

is three times and a half larger than in 1860, the wages paid is about five times larger and the capital is five times greater. The annual productions have been more than quadrupled, and the aggregate importations have fallen off over four millions. With these results in our front, protection on wool and woolens will be likely to withstand the hand-grenades of all free-trade besiegers.

In New England and some other States sheep husbandry has fallen off, and in some places it has been replaced by the dairy business; but in other States the wool-clip has largely increased, especially has the weight of the fleece increased. The number of sheep has increased about 80 per cent., and the weight of wool over 400 per cent. The discovery that the fine long merino wools, known as the American merino, are in fact the best of combing wools and now used in many styles of dress-goods has added greatly to their demand and value. Many kinds of woolen goods can be had at a less price than twenty years ago. Cashmerets that then brought forty-six cents per yard brought only thirty-eight and one-fourth cents in 1880, and muslin de laines dropped from twenty cents to fifteen, showing that the tariff did not make them dearer, but that American competition caused a reduction of prices.

The length of our railroads has been trebled, rising from 31,185 miles in 1860 to 94,000 miles in 1881, and possibly to one-half of all in the world. For commercial purposes the wide area of our country has been compressed within narrow limits, and transportation in time and expense, from New York to Kansas, or from Chicago to Baltimore, is now less formidable than it was from Albany or Pittsburgh to Philadelphia prior to the era of railroads. The most distant States reach the same markets, and are no longer neighbors-in-law, but sister States. The cost of eastern or western bound freight is less than one-third of former rates. Workingmen, including every ship-load of emigrants, have found

acceptable employment. Our aggregate wealth in 1860 was $19,089,156,289, but is estimated to have advanced in 1880 to over forty billions. Further examination will show that the United States are steadily increasing in wealth, and increasing, too, much more rapidly than free-trade England, notwithstanding all her early advantages of practical experience and her supremacy in accumulated capital. The increase of wealth in France is twice as rapid as in England, but in the United States it is more rapid than even in France.

These are monumental facts, and they can no more be blinked out of sight than the Alleghanies or the Rocky Mountains. They belong to our country, and sufficiently illustrate its progress and vindicate the tariff of 1861. If the facts cannot be denied, the argument remains irrefutable. If royal "cowboys" who attempted to whistle down American independence one hundred years ago ingloriously failed, so it may be hoped will fail royal trumpeters of free trade who seem to take sides against the United States in all commercial contests for industrial independence.

Among the branches of manufactures absolutely waked into life by the tariff of 1861, and which then had no place above zero, may be named crockery and china ware. The number of white-ware factories is now fifty-three, with forty decorating establishments; and the products, amounting to several millions, are sold at prices twenty-five to fifty per cent. below the prevailing prices of twenty years ago. Clay and kaolin equal to the best in China have been found East, West, and South in such abundance as to promise a large extension of American enterprise, not only in the ordinary but in the highest branches of ceramic art. Steel may also here claim its birth. No more of all sorts than 11,838 tons were made in 1860, but 1,397,015 tons were made in 1880. Those who objected to a duty on steel, have found that they were biting something more than a file. Silks in 1860, hardly unwound from the cocoon, were creeping along with

a small showing of sewing silk and a few trimmings, but now this industry rises to national importance, furnishing apt employment to many thousand women as well as to men, and the annual products, sharply competing with even the Bonnét silks of Lyons, amount to the round sum of $34,500,000. Notwithstanding the exceptionally heavy duties, I am assured that silk goods in general are sold for twenty-five per cent. less than they were twenty years ago.

Plate glass is another notable manufacture, requiring great scientific and mechanical skill and large capital, whose origin bears date since the tariff of 1861. It is made in Missouri and in Indiana, and to a small extent in Kentucky and Massachusetts; but in Indiana it is made of the purest and best quality by an establishment which, after surmounting many perils, has now few equals in the magnitude or perfection of its productions, whether on this or the other side of the Atlantic, and richly merits not only the favor but the patronage of the Government itself. Copper is another industry upon which a specific duty was imposed in 1861, which has had a rapid growth, and now makes a large contribution to our mineral wealth. The amount produced in 1860 was less than one-fifth the present production, and valued at $2,288,182; while in 1880, the production rose to the value of $8,849,961. The capital invested increased from $8,525,500, to $31,675,096. In 1860, the United States Mint paid from twenty-three and one-half to twenty-five cents per pound for copper; but has obtained it the present year under a protective tariff as low as seventeen cents. Like our mines of inexhaustible coal and iron, copper is found in many States, some of it superior to any in the world, and for special uses is constantly sought after by foreign governments.

Many American productions sustain the character they have won by being the best in the world. Our carpenters and joiners could not be hired to handle any other than

American tools; and there are no foreign agricultural implements, from a spade to a reaper, that an American farmer would accept as a gift. There is no saddlery hardware, nor house-furnishing, equal in quality and style to American. Watches and jewelry and the electro gold and silver plated ware of American workmanship as to quality have the foremost place in the marts of the world. The superiority of our staple cotton goods is indisputable, as is proven by the tribute of frequent counterfeits displayed abroad. The city of Philadelphia alone makes many better carpets and more in quantity than the whole of Great Britain. These are noble achievements, which should neither be obscured nor lost by the sinister handling and industrious vituperation of free-trade monographists.

The vast array of important and useful inventions recorded in our Patent Office, and in use the world over, shows that it is hardly arrogance for us to accept the compliment of Mr. Cobden, and claim that the natural mechanical genius of average Americans will soon appear as much superior to that of Englishmen as was that of Englishmen one hundred years ago to that of the Dutch.

THE TARIFF SHIELDED US IN 1873.

If we had been under the banner of free trade in 1873, when the wide-spread financial storm struck our sails, what would have been our fate? Is it not apparent that our people would have been stranded on a lee shore, and that the general over-production and excess of unsold merchandise everywhere abroad would have come without hindrance, with the swiftness of the winds, to find a market here at any price? As it was, the gloom and suffering here were very great, but American workingmen found some shelter in their home markets, and their recovery from the shock was much earlier assured than that of those who in addition

to their own calamities had also to bear the pressure of the hard times of other nations.

In six years, ending June 30, 1881, our exports of merchandise exceeded imports by over $1,175,000,000—a large sum in itself, largely increasing our stock of gold, filling the pockets of the people with more than two hundred and fifty millions not found in the Treasury or banks, making the return to specie payments easy, and arresting the painful drain of interest so long paid abroad. It is also a very conclusive refutation of the wild free-trade chimeras that exports are dependent upon imports, and that comparatively high duties are invariably less productive of revenue than low duties. The pertinent question arises, shall we not in the main hold fast to the blessings we have? As Americans we must reject free trade. To use some words of Burke upon another subject: "If it be a panacea we do not want it. We know the consequences of unnecessary physic. If it be a plague, it is such a plague that the precautions of the most severe quarantine ought to be established against it."

FREE-TRADE PROSPERITY ON THE WANE.

It gives me no pleasure to notice retrograde steps in the prosperity of Great Britain; and if some evidence of this sort is brought out, like that of the five thousand houses now marked "To let" in Sheffield, and ten thousand in Birmingham, it will have no other purpose than to show that free trade has failed to secure the promised supremacy to English manufactures. The avowal of Mr. Gladstone that the additional penny to the income tax produces less revenue than formerly, indicates a positive decrease of wealth; and the steady diminution of British exports since 1873, amounting in 1880 to one hundred and sixty million dollars, with a diminution in the total of exports and imports of two hundred and fifty million dollars, is more conclusive proof as well of British decadence as of the advancement of other nations.

COMMERCIAL PROTECTION.

The sum of our annual support bestowed upon the Navy, like that bestowed upon the Army, may be too close-fisted and disproportionate to our extended ocean boundaries, and to the value of American commerce afloat; yet whatever has been granted has been designed almost exclusively for the protection of our foreign commerce, and amounts in the aggregate to untold millions. Manufacturers do not complain that this is a needless and excessive favor to importers; and why, then, should importers object to some protection to a much larger amount of capital, and to far greater numbers embarked certainly in an equally laudable enterprise at home?

CHAPTER XIX.

THE ESTABLISHMENT OF PROTECTION IN THE UNITED STATES.*

By Prof. W. G. Sumner,

Yale College.

IN my last lecture I sketched the origin of the protective system in this country. I now proceed to describe its growth and establishment. This was brought about by incidents connected with the Napoleonic wars. The wars of the French revolution, and those which followed, produced great effects upon the trade of the civilized world. The United States, as the chief neutral carrier, saw its shipping multiplied and its mercantile interests enriched. The belligerents, in their struggles to injure each other, endeavored to put a stop to this neutral traffic, and inflicted great injury on the neutral who was carrying it on. Nevertheless, the profits were so great that the Americans continued it, in spite of losses. When war broke out again in 1803, the indignation here at the collisions which took place was so great, that measures of resistance and retaliation were sought. The federalists wanted to put the country in a state of defense and build a navy to protect commerce. They represented the Northeastern States and the shipping interests. The administration, however, with the great majority from the Middle and Southern States, demanded a navy, sought to reduce expenditures, and turned its attention to

* *History of Protection in the United States*, Lecture IV.

measures of coercion by commercial war. These measures had been tried with sad results during the Revolution. Mr. Madison had urged discriminating duties in the first tariff as a means of forcing foreign nations to grant reciprocity, and he had urged coercive and retaliatory measures of that kind during Washington's administration when hostilities in Europe first broke out. It is astonishing what faith was entertained in such measures. You see it still strong in the South when the civil war broke out, when it was believed that withholding cotton would force European nations to intervene.

In 1805 an act was passed for prohibiting the importation of English manufactures in order to force England to give up impressment, and in order to support Pinckney and Monroe in their efforts to make a treaty. In 1806 England blockaded the northern coast of Europe from Brest to the Elbe. Napoleon retaliated by the Berlin decree. In the next year England replied by the orders in council; Napoleon rejoined by the Milan decree, and England returned once more by more stringent prohibitions. The tenor of these decrees on the one side and on the other was to prohibit neutrals from trading with the enemy, or to put such trade under heavy restraints. Napoleon was trying to shut the continent against English manufactures, and England was trying to keep out of the continent provisions and colonial supplies. Between the two, neutral commerce suffered the greatest loss and vexation. The American shipowners complained and called on their government for protection. The measure adopted was the embargo of 1807, by which the shipowners were protected against foreign aggressors by being shut up at home. They had before incurred heavy risks, now their own government imposed certain ruin. It was necessary to pass one act after another, making the embargo more stringent and tyrannical in order to check evasions of it. It was repealed in a little over a

year, but non-intercourse and non-importation acts were substituted for it until war grew out of it in 1812.

We are concerned with this commercial war here, not on account of its folly or imbecility, although it well represents the folly of all restriction, but on account of its connection with the strand of history which we are following. Embargo, non-intercourse, and war, lasting from 1807 to 1815, created an entirely artificial state of things here, or, perhaps I should say, the United States was drawn into the distortion and perversion of industry and commerce which the great wars were producing in Europe. Manufactories of various kinds sprang up here to supply the wants of the people when cut off from the usual sources of supply by foreign exchange. They produced articles of inferior quality or design, generally speaking, but people had to be satisfied with them. In many cases also the products were dearer than those normally obtainable abroad. They were sustained by the artificial difficulties in foreign exchange, and by the diminished profits of other industries which would have been more profitable here. In 1810, Gallatin, Secretary of the Treasury, made a report in which he stated that manufactures of wood and leather, amongst other things, were exported beyond the imports, that the following industries were "firmly established," iron and manufactures of iron, manufactures of cotton, wool, and flax, paper, printing types, books, several manufactures of hemp, and a few others. In that year (1810) some effort was made to get more protection through duties, but nothing came of it. The same effort played some share in bringing about the war, which was a product of intrigue, and as needless as it was fruitless. One of the first war measures was to double all duties and prohibit the import of English products. During the war the prices of manufactured articles were very high. Manufacturers made great profits and factories were built in large numbers. In 1814 all the banks suspended specie payments,

and then followed a reckless paper-money period which has never been equaled since. Prices rose higher than ever, and here we have again an illustration of the observation previously made that our currency and tariff errors have been intertwined throughout our history.

Observe now the outcome of all this for the matter of our investigation. Embargo and war had created a false and artificial state of things in which much capital had been invested in manufactures, and "industry" had been "encouraged." Under the false light in which they were viewed, embargo and war, therefore, seemed to be beneficial forces. The return of peace, if it reopened trade and let things return to their normal condition, would be a calamity. It was necessary to secure a continuance of the circumstances which had brought these industries into existence, in order to secure them from destruction. Such continuance could not be brought about without perpetuating for the great body of consumers the scarcity, loss, and distress of war, so far as war affected their power to procure and enjoy industrial products. This then is exactly what the tariff, which was adopted in 1816, did do. It saved a part of the capital involved in manufactures, although most of it was swept away in the financial crisis which ensued in 1819, on the collapse of the paper system, but it burdened the nation with the same trammels which embargo and war had laid upon it.

The act of May 3, 1815, repealed all discriminating duties and tonnage taxes in favor of any nation which should take similar action with regard to American vessels and cargoes. Here we have a fact of interest to the general history which we are pursuing. This was what was known as the "American system," at this time. We saw how, in the treaty with France in 1778, the Americans set out to gain general reciprocity. That came to be called the "American system," viz., general reciprocity instead of the old commercial treaties. Now the plan of laying countervailing duties to enforce

reciprocity came to be called the "American system," and was so called until 1824, when, by a still further perversion, that name was applied to the system of protective duties. Daniel Webster, at that time, well said of it: "This favorite American policy is what America has never tried; and this odious foreign policy is what, as we are told, foreign states have never pursued."

The act of February 5, 1816, continued the double war duties until July 1st, but the general tariff act was approved April 27, 1816. The tariff was not at this time, or for sixteen years after, a political question, but it is noteworthy that tariffs were passed in every presidential year until 1832, except in 1820. All parties agreed, however reluctantly, in passing the increased duties, for fear of alienating the votes of the protected interests. In 1820 a tariff was proposed, but failed, because Mr. Monroe was to be re-elected without a contest. As yet, however, in 1816, the question was neither political nor sectional. New England generally opposed the tariff, but not universally. The South acceded to it for the sake of cotton. This article was then heavily taxed abroad, and some very cheap manufactures of it from China and India were largely imported. It was believed that the development of cotton manufactures here was the best way to make cotton culture lucrative. Lowndes of South Carolina reported the bill, and Calhoun made a speech in favor of it. It was based on a report by Dallas, Secretary of the Treasury, in which he divided the articles subject to duty into three classes: (1) those of which the home supply was adequate to the demand; (2) those of which the supply was partial; (3) those of which the supply was small or nothing. He proposed graduated duties on these three classes, the highest duty falling on the first class. You observe at once the incongruity. On the plan of fostering infant industries, duties would evidently be highest on articles producible but not produced, or only slightly

produced; but here we find the market closed when the supply is adequate, and only a revenue tax laid on those articles which were least produced, and a medium tax on those which were in the heat of the struggle. It is the best possible test of a theory to see whether it admits of two contradictory applications in practice, for between theory and practice there can be no inconsistency. If any appears, it is proof positive that either the theory or the practice needs revision and correction. To say that a thing is true in theory but bad in practice is a radical absurdity. Theory is the attempt of man to learn general principles for guidance in his practical tasks. Practice is the test of theory, and shows that the general principles have been either correctly or incorrectly apprehended. When, therefore, a theory admits of two opposite applications in practice, one of which fits it as well as the other, it proves conclusively that the theory embraces a contradiction, and we see why protection of infant industries never leads to their independence and to free trade. The advocates of protection use the first form of the theory to secure its adoption and the second to secure its perpetuation.

Calhoun's chief argument for protection was the need of the proposed manufactures in case of war. This argument had considerable force at the end of a war in which foreign supplies had been cut off, but on the other hand, the exactions of the manufacturers during the war led many to resent any attempt now to favor them.

The argument for protection to provide against the contingency of war has great popular weight. The policy and history of the United States since 1816, however, afford a striking commentary on it. We have always kept our army down a little below the point of efficiency. We have grudged the education of a few officers. We have reduced our navy so low that we hardly do our share in the police of the ocean. We pay little heed to our fortifications. Yet

we voluntarily expose ourselves to a loss far greater than the cost of any armament, out of obedience to this notion of providing for a possible war by industrial restraints. Our popular orators formerly made much capital by comparing our expenditures for army, navy, and fortifications, with those of the old countries; but they said nothing of this industrial loss incurred to the same end.

Furthermore, is it not a satire on this notion to remember that the only wars in which we have been engaged since 1816, have been that with Mexico and the civil war, in neither of which our cherished industrial independence was of any use to us?

I am not arguing for expenditures on armies and navies. Far from it. We are happy in not needing them. Any one who has to come three thousand miles to fight us will think well of it first. I only point out the grotesque contrast between our preparations for war of the one kind and of the other.

In fact, however, the independence which we seek must be sought in another direction. Independent men are those who have wealth, not those whose houses are stored for a siege. Independent nations are those which are wealthy, because they can command what they want when they want it. Those will be wealthiest which give industry its freest course in time of peace.

The case of the South during the late war is a most striking proof of the fallacy of the "independence" doctrine. The South had less of this artificial independence than any other country in the world. It was blockaded and inclosed by an immensely superior force, and what happened? First, people found that when they had put their last stake on war, they could do without thousands of things which had seemed essential; second, they found substitutes and makeshifts to take the place of real essentials; third, they found that, so long as they had commodities to ex-

change which the rest of the world wanted, no power could prevent the exchange from going on. It does not become those who needed four years to subdue the South to argue that it was weak for lack of industrial independence. Indeed, the argument is incomplete in two or three important points. Suppose that the South had not been weakened by slavery; suppose that it had been an independent nation before and had enjoyed free trade, so that its people had possessed all the wealth they might have accumulated; suppose that its enemy had been obliged to seek it over the ocean, and by sea attack only; on such a hypothesis who can believe that the South would have suffered because it had not "enjoyed protection," and who can urge us, on the chances of ever finding ourselves in the position of the South, to go on creating an artificial independence? Our independence lies in union, good government, and free industry.

The tariff of 1816 was not carried against the instincts of the American people towards freedom without strong opposition. The great majority adhered to the old Jeffersonian doctrines and policy. They wanted to get rid of the army and navy, to reduce taxes and expenditures, to reduce the number of office-holders, and to "let things alone." The prevailing argument was the interest of the existing investments, which, of course, no one desired to destroy. It soon appeared, however, that the barrier of taxation was no equivalent for embargo and war.

The return of peace in Europe allowed industry and finance to return to the operations of natural laws and to escape from the constraints of twenty-five years of war. The shock was terrible, and it took ten years for its effects to subside. In 1816 the English exported immense quantities of manufactured goods to the Continent and to the United States. The results of these transactions were disastrous. Our paper money here also exercised its influence

to encourage overtrading and overimportation. In 1817 the manufacturers were in distress. Cries were heard against the inundations of foreign goods, against the drain of specie and against the balance of trade. Evidently we cannot understand these things without taking into account the movements which were going on in the other industrial nations, but the popular opinion here was that the English had set out, by a sacrifice of some millions' worth of goods, to destroy American manufactures. This belief had deep root and perhaps has only lately died out, since we have ceased to hear cries of "British gold" whenever any one spoke of free trade. The notion I have referred to received strong reinforcement from a remark of Brougham's which you may find quoted in the first popular protectionist work you choose to take up, in which he recommended his countrymen to reconquer the American market. If he meant to propose to them to sacrifice their capital in giving several millions' worth of goods to the Americans in order to destroy factories which would spring up again the moment they tried to reimburse themselves, they would have been the first to laugh at him.

An eager effort, however, in favor of protection was now commenced, and it was kept up for fifteen years. It had an organ in *Niles' Register*, the editor of which was a fanatical protectionist. He filled his paper, week after week, with essays, items, statistics, and arguments in favor of "home industry." No such effort has ever been made on the other side, and I believe that one can understand the means by which the natural tendency of the American people to freedom, and their early bias that way, was perverted, only by observing the zeal and industry with which protectionism was inculcated.

The tariff of 1816 had provided for a gradual decline of the tax on cotton and woolen goods, and Congress had refused to include, as was desired, a prohibition of nan-

keens, but the time at which the reduction on woolens and cottons was to take place, was deferred until 1826, by an Act of April 20, 1818, and the duty on bar-iron was raised from nine to fifteen dollars per ton.

The tariff of 1816 had also adopted the principle of the minimum on cotton cloth and cotton yarn, none of the former being rated at less than twenty-five cents per square yard, whatever its cost at the place of exportation. This, of course, cut off the American people from any advantage by the great factory system of England, or from the introduction of machinery in England, so far as these improvements tended to cheapen cotton cloth. It ought to be added that the incorrect valuation of the pound sterling, the inaccuracy of the weights and measures used at this time, and the long credit given by the government for duties, to some extent neutralized the duties.

In 1820 Mr. Baldwin of Pittsburgh introduced three bills, one for increased duties, one for taxes on auction sales, and one for cash payment of duties, which all failed to pass. In 1822 and 1823 other bills were introduced for increasing duties, which failed to pass. It was not until the great presidential struggle of 1824 that another tariff crowned the seven years' struggle. Before taking that up I desire to present to you some of the chief doctrines which were believed and taught at this time, as we learn them from the Congressional debates and *Niles' Register*.

It was argued that wages were *not* higher here than in England when properly measured. This was in answer to the free-trade argument as then put, that it was useless to try to develop manufactures here because of this disadvantage. Of course, if it is true that wages are higher here, that would be the true inference.

It was also agreed on behalf of protection, that protection and revenue were antagonistic to each other, and that the government ought to be supported by "direct" taxation,

while duties on imports should be reserved entirely for purposes of protection. Niles published long articles in which he urged this view of the subject, and he brought forward many and strong considerations in favor of what he called direct taxation. He showed what the tariff really cost each consumer, he opposed a revenue from import duties as uncertain, and all this in favor of prohibitory duties for the purpose of protection.

Another feature of the controversy was that the shipping interest was blamed in no measured terms for opposing protection to manufactures. The growth of shipping was pointed out and traced back to the discriminating and tonnage duties of 1789, and the shipping interest was charged with selfishness in resisting the application of the same means to other industries. In this connection we meet with the best instance of the fallacy which inheres in the word "protection" itself. In making up the account against the shipping interest for the protection which had been accorded to it, the war undertaken for its defense, but against its will, was charged to it, and also the entire expense of the navy. The navy "protected" the merchant ships from unlawful attacks or interference, that is, it gave them the security which it is the business of government to provide, and which is analogous to the office of courts and police on land, but this protection was made a basis of argument that the government ought to interfere likewise to "protect" producers *against industrial competition.*

A similar charge of selfishness was brought against the cotton manufacturers of New England, who, after 1820, opposed any further protection. Their industry was firmly established and very remunerative, and they found that the effect of protection was simply to disturb their business by tempting great numbers into it, and by exposing it to great fluctuations. It was argued against them that the system ought to be extended to wool and iron, until they reached

the same point. This is logical and correct, but, as has often been shown, it reduces the system to an absurdity. After taxing the community to foster one industry, it is proposed to tax that one with others, to foster a second, then all the preceding to encourage a third. It follows that the first and second lose their advantage, and that the result is a series of weak fosterlings supported by weakened legitimate industries.

The same criticism applies to any system of "incidental protection." The claim is put in to widen the system and do "justice" by favoring all, which is impossible. The only real justice is to favor none.

The great argument of this period, however, was "hard times." There was a commercial crisis in 1819, which has not, perhaps, been equaled since. The complaints were kept up for five years, although the only ground for them, if any, was the comparison with the flush times of speculation and paper money, and they were just such times of distress as the whole commercial world was enduring. The complaints ceased when the tariff of 1824 was passed.

Those who argued most strenuously on this ground found themselves putting propositions together which made a strange combination when compared. Thus: (1.) The United States is the richest country in the world in point of natural resources, and has only a sparse population. (2.) This favored country is in great distress. (3.) What it needs is more taxation to enable its people to get a living in it.

We not unfrequently find arguments used during this period which show that the speakers or writers believed that a girl in a Manchester factory, who, with a loom, could produce as much cloth as several men could make by hand in the same time, was therefore able to exchange her product for the product of the labor of that number of American farmers. Of course all the notions about the balance of trade, and draining specie, and making money scarce are met with continually.

The duties collected under the tariff of 1816, during the last three years of its operation, were equal to a rate of 30 per cent. on dutiable imports. You see that there had been great progress since Hamilton's day.

I come now to the tariff of 1824. That act would not have been passed if it had not been for the political contest which was impending. Here we meet with the new factor of political intrigue, and also with those phenomena which arise from the extension and complexity of the system. This bill was dexterously combined to embrace strength enough to carry it. We also now find the South opposed to protection; as indeed she had been since 1820. The arguments employed were not new, but the issue was clearer and the debate was far better sustained from the free-trade side. We have an argument by Mr. Webster, in which several of the issues which continually arise in this controversy are handled in a masterly manner. He argued them on a plane entirely above the wretched patch-work of which the discussion otherwise consisted. I have already quoted his crushing criticism of the notion of protection as an "American system," under the application of that title which now became current. He showed the advance of opinion on this matter abroad, and showed that we were taking on our young shoulders a load which the older nations would be glad to throw off if they were not clogged by so many vested interests. He also showed that the distress complained of, so far as it had existed in the last few years, had been due to currency troubles here and abroad, and gave a correct explanation, which few seemed able to understand, of the phenomena of the exchanges here in 1820 and 1821. In regard to the comparative rates of wages, he said: The chairman of the committee says "it would cost the nation nothing, as a nation, to make our ore into iron. Now I think it would cost us precisely that which we can worst afford; that is, great labor. We have been asked, in a tone

of some pathos, whether we will allow to the serfs of Russia and Sweden the benefit of making our iron for us. Let me inform the gentleman that those same serfs do not earn more than seven cents a day, and that they work in these mines for that compensation because they are serfs. And, let me ask the gentleman further, whether we have any labor in this country that cannot be better employed than in a business which does not yield the laborer more than seven cents a day? The true reason why it is not our policy to compel our citizens to manufacture our own iron is, that they are far better employed. It is an unproductive business, and they are not poor enough to be obliged to follow it. If we had more of poverty, more of misery and something of servitude; if we had an ignorant, idle, starving population, we might set up for iron makers against the world. The freight of iron has been afforded from Sweden to the United States as low as eight dollars per ton. This is not more than the price of fifty miles' land carriage. Stockholm, therefore, for the purpose of this argument, may be considered as within fifty miles of Philadelphia. Now, it is at once a strong and just view of this case, to consider that there are, within fifty miles of our market, vast multitudes of persons who are willing to labor in the production of this article for us at the rate of seven cents per day, while we have no labor which will not command, upon the average, at least five or six times that amount. The question is then, Shall we buy this article of these manufacturers and suffer our own labor to earn its greater reward, or shall we employ our own labor in a similar manufacture, and make up to it, by a tax on consumers, the loss which it must necessarily sustain?"

Unfortunately, Mr. Webster was bound by local interests to sustain the protection to shipping, and this was fatal to his opposition. Massachusetts wanted protection on ships, but not on hemp or iron or molasses. A small Massachusetts interest joined with Rhode Island and Connecticut in

favor of an increased tax on woolens, but not on wool. The tariff of 1816, it was said, had not sufficiently protected woolens, and had made the tax, such as it was, diminish at intervals. The English bounty on exported woolens was a damage which, it was claimed, ought to be counteracted. Observe the antagonism here established: England, pursuing the old restrictive system by these bounties, made a present to foreign nations at the expense of her own tax-payers. The foreign nations regarded this gift as an injury, and set up barriers against its acceptance, at the expense of their tax-payers. Could anything more conclusively condemn the whole system?

Then look at the internal conflict of interest. Kentucky wanted a tax on hemp to encourage her production, although her dew-rotted hemp was so inferior to the Russian water-rotted hemp that it never competed. She also wanted a tax on molasses to make rum dear in the interest of whisky. Louisiana wanted a tax on molasses for protection to her sugar planters. The Middle States and Ohio wanted protection on raw wool; and Pennsylvania, of course, wanted protection on iron. In the conflict of interests New England was defeated, having less political power, and hemp, whisky, iron, and raw wool, uniting the Middle and Western States, carried the day. The minimum on cottons was raised to 30 cents. A minimum for woolens was established at $33\frac{1}{3}$ cents, and the duty was put at 30 per cent. to be advanced to $33\frac{1}{3}$ per cent. in a year. Raw wool, costing less than 10 cents per pound, was to pay 15 per cent. Other wool was to pay 20 per cent. for a year, 25 per cent. the second year, and 30 per cent. afterwards. Bar-iron was raised to $18 per ton if forged, and stood at $30 if rolled. This was to off-set the cheapness of the new process chiefly used in England.

This tariff passed the House by 107 to 102. New England gave fifteen votes for it, and twenty-three against it.

The Southern and Southwestern States gave two votes for it. The duties collected under it were, on an average, equal to a rate of thirty-seven per cent.

One expects now, in reading the contemporaneous records, to be rid of the subject for a time. The reader naturally says: "The tariff has been raised; the protection has been granted. The question is disposed of." Nothing of this kind, however, took place. The high-tariff interest was by no means satisfied with the result, especially as regarded woolens. The agitation recommenced the next year, with a reiteration of the old arguments, condemnation of "our present ruinous system," and demand for protection, as if there had been no concessions in that direction. This calls our attention to certain features inherent in the protective system, and shows us how erroneous in practice, as well as in theory, is the notion that we can proceed through protection to free trade. Protection nourishes dependence, not independence. It is a system in which all the parts hang together, and protection for some cannot be united with freedom for others. If one industry should be set out in free competition, while the rest were protected, it would be found that they are interdependent; that machinery, raw materials, and labor supplies would be so dear that the exposed industry would have no fair chance in competition with foreigners. Hence one long protected industry, if it became independent by natural causes, could not be left free unless the whole system were abandoned. But then the cry goes up from those nurslings of recent beginning, that they are not yet ready. If you defer the introduction of freedom for ten years longer on their account, a new company of infants is meantime brought into being, and the plea for further delay comes from them. Thus you go on forever, and the theory is reduced to an absurdity.

During the period from 1824 to 1828 the political factor in the tariff controversy rose to chief importance. The

administration of J. Q. Adams was exposed to the most vigorous and relentless opposition from the party which had formed around Andrew Jackson. After the Democratic Convention of Harrisburg, in 1824, it was certain that Pennsylvania was enthusiastic for Jackson. The rural population of that State cared more for Jackson than for tariff. This was a fact which the politicians had simply to accept as a fact. The composition of the Jackson party, therefore, coincided to a certain extent with the coalition which had passed the tariff of 1824. New England as the Adams section was, both politically and on the tariff, still more in a position to be neglected than it was in 1847. The South found its political combinations and its tariff interests inconsistent.

England still furnished a convenient and popular object of attack. She now showed her perfidy and desire to ruin American manufactures by reducing her own duties on raw wool to one penny per pound. This enabled her manufacturers to manufacture so cheaply as to pay our import duties and yet compete with success. According to the theory which we are studying, this was a serious reason for "protecting" ourselves against the good this might have brought to us. The woolen manufacturers of Boston accordingly sent a petition to Congress in 1826 asking for more protection. January 10, 1827, a bill was introduced for raising the duties on wool and woolens. It was tabled in the Senate by the casting vote of Calhoun. It was in the New England interest, and, as Niles said, politics were in the way.

In July, 1827, a national convention met at Harrisburg, called by the Pennsylvania Society for the Promotion of Manufactures and Mechanic Acts to consider measures for promoting manufactures. It was the most energetic attempt ever made to organize and give symmetry to the protectionist movement. It adopted resolutions in favor of more protection for iron, steel, glass, wool, woolens, and hemp. It pro-

posed a duty of 20 cents a pound on wool costing 8 cents or more, to advance $2\frac{1}{2}$ cents per annum until it should be 50 cents. It adopted four minima for woolens, 50 cents, $2.50, $4.00, $6.00. The duty was to be 40 per cent. for a year, 45 per cent. the next year, and 50 per cent. afterwards.

The committee on manufactures at the next session of Congress recommended that evidence should be taken as to the state of manufactures. This was a new departure, for hitherto all tariff legislation had been made blindly and ignorantly. The northern protectionists opposed the proposition; the South favored and carried it. The evidence all went to show deplorable distress in all manufacturing industry, although the country generally was enjoying great prosperity. The argument necessarily was tangled and contradictory. It was urged, and really was the greatest popular argument, that the country owed its prosperity to the tariff, but here were the manufacturers claiming to be in distress. The truth was that the country possessed such means of producing wealth that the tariff could not crush them. Then again the distress was needed as an argument for more protection, but what light did it throw back on the previous attempts in that direction?

Many of the peculiar doctrines I have mentioned as advocated at an earlier period were now heard no longer, but a new one was brought forward and repeated again and again, viz.: That protection, by domestic competition, lowers prices. I have already, in my former lecture, discussed this doctrine.

The new tariff bill was introduced in February, 1828. It was based upon the recommendations of the Harrisburg convention. Its central feature was wool and woolens. Hemp, iron, and molasses figured as before. It came forward, therefore, as a New England or Adams measure, and the Jackson coalition opposed it, but under the necessity of satisfying the Middle and Western States. The feeling in

the South was already very bitter about the tariff legislation, and this new effort to push on the system, reckless of Southern protests, still further embittered the South. The West also took the position that they had as yet had nothing of this good, which it was assumed that the government had to distribute, and they demanded that, if the system was to go on, they should have their share. Mr. Webster took the position for Massachusetts, that she had been forced into manufactures by the policy adopted in 1824, in spite of her protests, and she now protested that the investments into which she had been drawn should not be sacrificed.

You look in vain through the discussion of this bill for any broad principles. Much was said indeed about a national policy, but it all referred to this system which, at the first approach to actual discussion, resolved itself into political intrigue, a strife of sections, and a struggle between "interests." Much was said about broad principles, but all referred to the notion that by robbing all for the benefit of the few it was possible in some way, which never was explained, to gain great benefit to all. The South adopted the policy of trying to make the bill as bad as possible. They proposed and advocated absurd and extravagant exaggerations, in the hope, apparently, that they could thus make apparent to the protectionists the enormity of their propositions and the absurdity of their demands. This policy did not work. The belief in the great protectionist dogmas had now become strong. Political exigencies were great, and the Northern protectionists either rejected the exaggerated propositions, or accepted them in good faith. This tariff came to be known as the "tariff of abominations," but its worst abominations were forced into it by the perverse policy of the Southern men. What it concerns us to observe is, the evil effects of mixing up politics and President-making with fiscal legislation, and the exaggerations to which the protective system leads.

The result of this struggle was that the tax on molasses was raised to 10 cents per gallon. The tax on wool was put at 4 cents per pound and 40 per cent., to increase by 5 per cent. annually until it was 50 per cent. A $1.00 minimum was inserted in the scheme proposed at Harrisburg, and a tax of 40 cents a square yard was laid. This combination of taxes, resulting from political motives only, to favor the wool growers of the Middle and Ohio States and not to make woolens dear to consumers in the same districts and in the South, was exceedingly injurious to woolen manufacturers. You observe that it is not in human ingenuity to interpose in the delicate relations of trade by arbitrary enactments without doing damage. On account of these features of the tariff in regard to molasses and woolens it got only sixteen votes from New England (in the House) to twenty-three against it.

The tax on bar-iron, not rolled, was raised to $22.40 per ton; if rolled, $37 per ton. Hemp was raised to $45 per ton. These features, with the tax on wool, gained the force which carried the bill in the House, 105 to 94. On the final vote there were in the affirmative sixty-one Adams and forty-four Jackson votes; in the negative, thirty-five Adams and fifty-nine Jackson votes. The South, after putting the "abominations" in the bill, voted against it, except three votes. To show the want of good faith, it is significant to notice that on the motion for the previous question eleven Adams and ninety-nine Jackson men voted in the affirmative, and eighty Adams and eleven Jackson men in the negative.

All the New England men and all the *bona fide* tariff men like Niles were dissatisfied with this bill, and began at once to agitate for its amendment. It has been customary for the tariff advocates to speak of it as a good bill, which only needed some slight "adjustments." We see, I think, if we look at it candidly, the very best proof that such adjustments are required forever, that is, that they are impossible. It is

a specimen of the purest quackery in legislation. I think it shows also that the only petition any sober business man can ever address to the Legislature is to "let him alone" and, if possible, not legislate about his affairs at all. In this very debate of 1828, Mr. Stevenson of Pennsylvania, arguing for the tariff, said: "If legislation were as intelligent as commerce is vigilant, much national evil might be avoided." I could only improve this by saying: "If it were perceived that legislation never can be as intelligent as commerce is vigilant, far more national evil would be avoided."

The agitation of the Northern protectionists for the amendment of the tariff sank into insignificance in comparison with the discontent which the tariff caused in the South. The South was, of course, crippled by slavery, but it is undeniable that the complaint the Southerners made was just and well founded. They sold in a free market and bought in a protected one. They claimed that they had inherited the grievances of the Colonies at the revolution, and that they stood just where the Colonists had stood at that time; asking why they should maintain a political connection in which the taxing power was abused for their oppression. When they were told that they must yield to the welfare of the whole, they replied that this was England's old argument, that the Colonies should bow to imperial considerations. Thus the tariff controversy, pushed to extremes by the power of the majority, and in disregard of the pleas of the minority for justice, assailed our political system in its most delicate and most vital part—the integrity of the confederation. The attempt of South Carolina to nullify the tariff act was not open disunion and secession. It was worse. It was an attempt to remain in the Union and yet reduce the confederation to imbecility and contempt. Thus forty years after the first tariff with its 8 per cent. import on dutiable, we find that the system had steadily advanced, that the infant industries were as feeble and clamorous as ever, that the burden had

been increased until it was now equal to 41 per cent., that it had been elaborated into a system in which the lobby had been trained and educated, that it had corrupted politics and furnished capital for political schemes, that it had, on the testimony of those interested, done them no good, and that it had brought the confederation face to face with its greatest danger, that of disruption.

CHAPTER XX.

TARIFF COMMISSION.*

By Hon. Samuel J. Randall of Pennsylvania.

MR. CHAIRMAN: It is my purpose in this debate to be as brief and practical in the expression of my views as possible, preferring, for obvious reasons, the postponement of all general discussion of details of necessary legislation until the revision of the present tariff shall be directly under consideration. It is a subject at all times and in every country full of difficulty and embarrassment, and yet it is as old as government itself, and has exhausted, as we know, the highest mental efforts of the most celebrated statesmen. Some few points have been settled and accepted generally, but they are not many. Hallam, the justly esteemed constitutional historian, in his "Europe During the Middle Ages," lays down this axiom, which our experience as a people justifies, and which will not be disputed:

"It is difficult to name a limit beyond which taxes will not be borne without impatience when they appear to be called for by necessity and faithfully applied; nor is it impracticable for a skillful minister to deceive the people in both these respects. But the sting of taxation is wastefulness. What high-spirited man could see without indignation the earnings of his labor, yielded ungrudgingly to the public defense, become the spoil of parasites and peculators? It is this that mortifies the liberal hand of public spirit: and

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* Speech in the House of Representatives, May 5, 1882.

those statesmen who deem the security of government to depend not on laws and armies, but on the moral sympathies and prejudices of the people, will vigilantly guard against even the suspicion of prodigality."

It is equally true that excessive taxation, even when it is successful in securing excessive revenue, is ultimately destructive of the sources of labor from which it is drawn; while at the same time it engenders extravagance, corruption, and decay. For when the government sets the example of extravagance, it is soon followed in every walk of life, and one does not need to be a prophet to foretell the general ruin which must inevitably result. Frugality and economy never destroyed any government, while they have built up the most powerful empires the world has ever witnessed.

So much for general statement. Revenue laws have been a subject of discussion, agitation, and anxiety from the earliest days of our political history. Indeed, Sabine, in his "Loyalists of the American Revolution," states positively his conviction, after careful study of documentary history and State papers, that they "teach nothing more clearly than this, namely, that almost every matter brought into discussion was practical, and in some form or other related to labor, to some branch of common industry." He states further on there were no less than twenty-nine laws which restricted and bound down Colonial industry.

The manner of raising the necessary revenue for the support of the Government has been, as I have said, at all times in the United States the cause of irritation to the people. And we need not be surprised at this when we consider the vast extent of our domain, and the almost endless diversity of productions of the soil, and of manufactures, and every other branch of human industry.

The existing overflowing Treasury brings a demand for reduction of the tariff and internal-revenue taxes. In my opinion, in such a condition of our finances, reduction of tax-

ation should at once begin. Unnecessary taxation is injurious to the interests of the people in many directions. Government has no justification for the collection of burdensome taxes in excess of the sum requisite for the support of its proper administration. What have we seen in this Congress? The excess of our resources has induced the presentation of every conceivable scheme to deplete the Treasury, and our expenditures, unless checked in time, will reach enormous proportions and bring back again, as prior to 1874, a saturnalia of extravagance and disgrace.

In the matter of taxation we are acting under a written Constitution. "Congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defense and general welfare of the United States." I need not enlarge upon our traditional history in this regard, and it will be accepted as true that only at periods of great necessity and urgency have excise or internal taxes been resorted to. Our present internal-revenue system grew up out of the necessities of war, and when those necessities cease that taxation should disappear. When the framers of the Constitution granted the power to impose excise duties it was a point of serious dispute and was agreed to, finally, only as a resort in case the Government should be involved in war, and not to be exercised as a permanent mode of raising revenue.

I will not enlarge upon this; I believe it to be incontrovertible, however men may change sides because of other considerations affecting other questions; and I do not forget that Thomas Jefferson, the author of the Declaration of Independence and the founder of the Democratic party, brought about the repeal of internal or excise taxes as one of the very first acts of his administration as President of the United States.

I favor, therefore, as speedily as possible, a total abolition of our internal-revenue system, and I am ready to join

hands with any and all in this House in favor of an equalization of our duties on imports. No one who understands the existing tariff laws will deny the justice and necessity of revision. The present duties were for the most part levied during war and for the purpose of raising a large war revenue. It will suffice in this connection to quote the Industrial League as unanswerable in this regard, as it is an admission on the part of those who favor the highest protective duties:

"They consider such revision desirable for the interests both of the industries affected and those of consumers, partly on account of some original imperfections in the present tariff, and partly on account of the modifications which are demanded by the changes which have occurred in conditions of production and commerce."

There should be, however, no vicious assaults on these laws. Changes should have firm foundation in reason, and especially should we avoid mere experiment and purely speculative efforts on this vital subject. Our excess of revenue now approaches in amount the annual receipts from internal or excise taxes. If proper economy be exercised in expenditures they can be brought within the limits of our ordinary resources of taxation, enabling us without jar or friction to repeal internal-tax laws, which are inquisitorial and offensive in the highest degree. These taxes reach vexatiously every citizen in his business, in his household, and in the affairs of every-day life until they have become almost unendurable. There is no longer an excuse, in my opinion, for their continuance.

The objection to direct taxes is equally as strong to internal taxes; and either or both are justified only by stern necessity. They are irritating and dangerous, and internal-revenue taxes entail upon us the keeping up, as at present, somewhere near five thousand officers engaged in their collection, distributed in every county of every State, tainting,

as we know, the source of all power in this Republic, the elections by the people. Who favors direct tax? No one; and if the internal taxes were not now imposed by law, is there a man who would risk his political future by asking that the system should be put into operation? I sincerely believe that there is not a man.

I did hope when this Congress assembled that before the adjournment of this session a very large reduction of internal taxation would have resulted from our labors. The Committee on Ways and Means seemed to favor a reduction of $70,000,000, but the fiat of a Republican Congressional caucus overruled that good intent. Thus the majority of the Representatives in this House of one political party, and of a party representing a doubtful majority of the people even at the time of its election, regulates the current of remedial legislation, and in this instance on a subject which should be non-partisan. Thus the opportunity of relieving our tax-annoyed and tax-burdened constituents may be lost.

The reduction as now recommended by the Committee on Ways and Means reaches in great part those most able to pay, leaving the great body of consumers without relief. How long the latter will permit this state of things to continue will probably be determined at our next Congressional elections. With the repeal of internal or excise taxes will come a resort exclusively to duties on imports as the main supply of our resources, and I maintain if our expenditures be kept within just and reasonable bounds we can from this source derive adequate revenue for the administration of the Government in all its constitutional and legitimate functions.

The estimates for the fiscal year ending June 30, 1883, of the amount to be raised from duties on imports is $217,000,000, and from all other sources, leaving out internal taxes, $30,000,000; so that the total abolition of excise taxes would still leave to the Government in the neighborhood of $250,000,000.

It must be recollected, however, that while our current annual payment of interest on the public debt has been reduced to $61,000,000 (and it will continue to decrease), yet there will be a greater increase in liabilities on account of pensions. Taking the years ending June 30, 1877 and 1878, as a criterion, this amount of receipts would still, with prudence and frugality, leave a sufficient revenue. Let me recapitulate: the net ordinary expenditures for year ending June 30, 1877, $144,209,963.28; the net ordinary expenditures for year ending June 30, 1878, $134,463,452.15. In the latter year no appropriations were made for rivers and harbors. The amount of appropriations for these objects for the former year was about $5,000,000, so that a fair average of the net ordinary expenses based on these two years would be $142,000,000. Let us to this amount add on account of interest $61,000,000, and for sinking fund about $45,000,000 per annum, a sum which I deem sufficient in amount each year toward liquidation of the aggregate amount of the debt, and we have a gross sum of expenditure of $248,000,000.

There will equitably stand to the credit of the sinking fund for the year ending June 30, 1883, taking the bonds already called for payment up to July 1, 1882, $40,423,700. The sinking fund for the current fiscal year and arrearages for prior years were fully provided for by call which matured March 13th last, and prior to that date. The bonds in call maturing from that date to June 30th next, are not applied to the sinking fund, because it is full. While the bonds included in calls maturing from March 13th to June 30th, being calls one hundred and eight to one hundred and twelve and part of the one hundred and seventh, amounting to $40,423,700, are not applied to the sinking fund, yet as arrearages have been in the years past continued to be counted on book accounts there is no reason why the payment of our bonds in excess of the legal requirements of

the sinking fund should not equitably be credited, thus protecting us against a deficiency in the event that the internal taxes are largely reduced or altogether abolished.

The amount which is required by law to be placed to the credit of the sinking fund for the year ending June 30, 1883, is $45,122,110.80. By reason of the payments already made there is, therefore, due only an equitable balance of $4,698,410.80 to be credited to sinking fund for the year 1883, with period of time from July 1, 1882, to June 30, 1883—an entire year.

In my opinion $75,000,000 of payment on account of current pensions and arrears is as much each year as can be safely made with due protection against fraud. Until the arrears are all paid—say $45,000,000 per year in addition to appropriations of years 1877–'78—we might be required to continue the tax on whisky, say at fifty cents per gallon, or we could encroach upon and reduce our now excessive unemployed balance in the treasury. Admitting there might be a moderate deficiency, we have, to meet such deficiency, now in the Treasury $136,000,000 above and beyond every claim on the Government dollar for dollar.

It is thus made plain that, with economical expenditures and reduced appropriations for the year, we are fully provided.

As I have already said, a heavy reduction or the abolition of internal taxes would compel immediate revision of our tariff laws. How that can be done with most expedition is the question which most directly concerns us.

I do not favor a tariff enacted upon the ground of protection simply for the sake of protection, because I doubt the existence of any constitutional warrant for any such construction or the grant of any such power. It would manifestly be in the nature of class legislation, and to such legislation, favoring one class at the expense of any other, I have always been opposed.

In my judgment the question of free trade will not arise practically in this country during our lives, if ever, so long as we continue to raise revenue by duties on imports, and therefore the discussion of that principle is an absolute waste of time. After our public debt is paid in full our expenditures can hardly be much below $200,000,000, and if this is levied in a business-like and intelligent manner it will afford adequate protection to every industrial interest in the United States. The assertion that the Constitution permits the levying of duties in favor of protection "for the sake of protection" is equally uncalled for and unnecessary. Both are alike delusory and not involved in any practical administrative policy. If brought to the test, I believe neither would stand for a day. Protection for the sake of protection is prohibition pure and simple of importation, and if there be no importation there will be no duties collected, and consequently no revenue, leaving the necessary expenses of the Government to be collected by direct taxes—for internal taxes would interfere with the protective principle, and when the people were generally asked to bear the burden of heavy taxation to sustain class legislation, and the interests of a portion of our people at the expense of the great bulk of our population, there would be an emphatic and conclusive negative. So, too, with free trade, there is hardly a man in public life who advocates it pure and simple. Nobody wants direct taxation, although it would bring taxation so near and so constantly before the people that Congress would hesitate long before it voted the sums of money it now does, if not for improper at least for questionable purposes.

Let me cull a few sentences from recent debates to show the feeling on the subject.

Ex-Governor Hendricks says: "A horizontal tariff is impossible."

Senator James B. Beck says: "Nobody asks or expects this Congress to establish free trade or tear down custom-

houses. · · · In adjusting taxation on imports with a view only to obtain revenue or "for revenue only," we never thought of discriminating against American industries, or of depriving them of the incidental benefits or protection a proper revenue tariff would afford."

Senator Bayard says: "The power to tax by laying duties upon imports may be so exercised as to do what it has done ever since the foundation of the Government, and this is to give an advantage equivalent to the amount of the tax to the American producer or manufacturer over his foreign competitors in the same line of production or manufacture, and this becomes his protection."

Senator Williams of Kentucky says: "Nobody is for free trade just now."

Senator Cooke of Texas says: "As an inevitable consequence domestic manufacturers and producers of the articles upon which such revenue import duties are laid are to that extent protected against foreign competition."

Mr. Carlisle of Kentucky in substance reiterates these sentiments. So they all say, with rare exception. The real question presented and which is in controversy is the revision of taxes, so we may hold the control of the markets of the world for the benefit of our excess of production over the home consumption.

I favor what Mr. Jefferson declared to be "discriminating duties," which General Jackson described as "a judicious tariff," and what Silas Wright designated as "incidental protection." To accomplish these ends wisely and well requires the greatest circumspection and the exercise of the most careful judgment.

CHAPTER XXI.

FREE TRADE.*

By Hon. Frank H. Hurd.

MR. CHAIRMAN, I desire to say that the Marquis of Ripon is the representative of the Liberal party of England in India, sent there to secure the abrogation of India's protective tariff system and open her markets to the operation of the principles of free trade.

This policy has been carried out, and under Ripon's administration, as I have said, India has adopted commercial freedom. Immediately Great Britain commenced the development of India's agricultural production. Large extents of territory were made cultivable through the adoption of systems of irrigation. Railroads were commenced and the work of construction was vigorously pushed. The interior was opened up to the coast, so that the products of the soil could be cheaply loaded in the vessels. Then the most suitable seeds were distributed among the people. Cheap agricultural machinery was afforded them. Under this impulse, wheat production was so stimulated that last year there was a production in India of more than 300,000,000 bushels, of which a large portion was a surplus above domestic consumption. Of this 40,000,000 of bushels have been exported, while five years ago there was scarcely a cargo of grain sent from the shores of that country. In the first three months of this year this exportation has largely

* Speech in the House of Representatives, May, 1884.

increased over the same period of last year, indicating for this year an exportation of nearly 70,000,000 bushels.

What has been the effect of this increased production in India upon our markets? In the last nine months there has been a decline in the exportation of American cereals of $47,000,000 in value, and wheat has gone down in Chicago to less than eighty cents per bushel, the lowest price that has ever been known in that market. It is notable, Mr. Chairman, that just as the exportation of wheat has increased from India, the exportation has diminished from the United States. This development of wheat production in India is the natural and inevitable result of the protective tariff in America, which puts high duties on foreign goods. England refuses to buy of the farmers of America, who will not take her goods in exchange, and seeks her food supply from those countries who will take her productions; and thus from the farmers of America is passing away the last vestige of a foreign market.

I say to the farmer of America that the prospect for him is by no means encouraging. With elevators, granaries, and warehouses all filled to overflowing, with the old crop still unsold, with the vast fields of the great West greening to the coming harvest, with crops unexcelled in India, almost ready for the market, with splendid promise among all the wheat-growing nations of the earth, and with the price of wheat less than eighty cents at Chicago, I predict that before January next the price of wheat will be so low that it will not pay the cost of production, and the corn raised on the western prairies will be burned again for fuel as was the case years ago. When that time arrives the farmers will be beggars in the midst of their own plenty and paupers by the side of their own golden gathered sheaves. There is absolutely no relief to the American farmer, except in making foreign markets for him. Talk about the home market which American manufacturers make for him. Already

their demand for agricultural product is diminishing; already they are complaining of overproduction everywhere. It is not in their power to consume what the farmers of this country can produce. There are, Mr. Chairman, but two ways in which the farmer can find relief. One is for the proper authorities to make reciprocity treaties by which the markets of other nations will be open to the products of this country, and the other is for Congress to reduce the expense of living by cutting down the tariff rates.

The farmers sell in the lowest market and buy in the highest. They cannot cheapen any further the cost of production, but they can reduce the tariff, cheapen the cost of living, and thus save $450,000,000 annually.

I have often thought that people in considering this branch of the subject do not give sufficient attention to the effect of our patent laws in giving protection. Those who manufacture with the protection of our patent system have a monopoly of that business for seventeen years They can in most cases charge, in consequence of this monopoly, whatever they please for the article manufactured, because they are free from competition by their patent. They do not need any protective tariff. Indeed, the latter can only do them injury, for as the manufacturers of the patented article can charge the same price without a tariff as with it, the only effect of the tariff upon them is to increase the price of their raw material and plant, and thus diminish their profits. From what I have been able to learn about the history of manufacturing in this country, I am satisfied that four-fifths of those who have been successful in that business have become so through the operation of patent laws, who if they knew their own true interest would now be bitter enemies of the whole protective tariff system.

But what is the effect of the tariff upon those manufacturers who have the protection of the tariff alone? I have been surprised at the want of knowledge exhibited by manufac-

turers with whom I have talked upon the subject. When I have asked them how the protective tariff affected them, I have found very few who could tell me exactly the increase of price which the tariff made to them in their business. And when I asked them how much it affected the price of their product at any particular time, they were almost always unable to tell. When I have inquired how much the tariff increased the prices of their raw material and plant, and of the articles they were obliged to have in order to manufacture, I have found scarcely any who had given attention to this point. Why, Mr. Chairman, they will investigate the laws of trade, the laws of supply and demand; they study the question of location, the question of interest, and every other question that affects their business, but they will not study the statute books of their country in order to learn how the laws of the land affect them. And yet these very same people will say that the supporters of the Morrison bill are disturbers of business, because they propose to disturb existing laws the methods of the operation of which upon them they admit they do not understand.

I know, however, of some manufacturers who have studied this question. I have a statement by one of the leading manufacturers in the State of Ohio, a manufacturer of paper, who says if the duties were taken off of all the plant and all the raw material he was obliged to have in order to make paper, he would surrender the duty on paper itself.

And I have the statement made by one of the largest woolen manufacturers in the State of New York, at a public meeting in Chicago, a meeting at which I believe my colleague on the Committee on Ways and Means, the gentleman from Ohio [Mr. McKinley], presided, to the effect that if the Government would give him free trade in brick and stone and mortar and building material and machinery and coal and wool and dye-stuffs, and all he needed in order to manufacture, he would take free trade for his manufactured pro-

duct. What was that but to say that all that protection gave him with one hand it took away from him with the other? I believe that if the manufacturers of this country in the present condition of the market would study this question, they would find that the increase of price the tariff gives them is more than consumed in the increase of the price of the plant, of raw material, and everything else they must have in order to manufacture what they sell.

Anyhow, I am willing as one of the Committee on Ways and Means to propose to the manufacturers of this country, if they will show what the net result of protection is to them, that I will help to pass a law giving them that net result, leaving them undisturbed in every other respect. The effect of that would be to make the rates much lower than those fixed in the Morrison bill, to leave the manufacturer as well off under the law as he is at present, and give the people cheaper goods everywhere.

Mr. Chairman, all manufacturers need cheap raw material and plant and a large market to sell to. The protective tariff deprives them of both. It increases the price of the one from forty to fifty per cent. more than it ought to be, and it necessarily limits the other. The manufacturers all over the country now are complaining of overproduction. Overproduction is only another word for the phrase, limited market; for no man overproduces who has a market large enough to consume what he makes. Our manufactures are fastened in the American market. The very law which gives them the control of the home market deprives them of every other. The inevitable effect of protection in increasing the price of production disables them from competing with the foreigner who manufactures with cheaper material.

Sir, this very day manufacturing enterprises everywhere are in a condition of embarrassment, and, as manufacturers have testified before the Ways and Means Committee, because

they have more goods on hand than they can sell. The necessity has come to them of a greater market than the domestic one and they must have it; but they never can have it as long as the high tariff stands in the way of trade and exchange. If there ever was a day in America, Mr. Chairman, when manufacturers were benefited by protection, that day has gone now.

Our manufacturers have not markets large enough, they have surrendered the markets of the world to England. Last year England sold abroad one billion five hundred million dollars' worth of manufactured goods, and America, exclusive of the manufactured products of agriculture, sold abroad barely seventy million dollars' worth. Fifteen hundred millions of dollars for that little stormy island and seventy million for this continent! Yet we have opportunities and advantages vastly superior to hers. She has to go thousands of feet under the land and under the sea to get her iron and her coal, and go thousands of miles over the land and sea to get her cotton and her wool. We find here our iron and coal close to the surface, on the mountains and hillsides, and can tumble them together into the furnaces. We have the vast cotton fields of the sunny South and the wide pasture fields of the West for sheep to give us an abundance of cheap cotton and cheap wool. It is an ineffaceable stain on the American name that the markets of the world have thus been surrendered to Great Britain, our great rival. Think you that if we could have sold abroad of our manufactured goods one billion dollars' worth last year there would have been this stagnation, overproduction, and depression?

If I could burn into the brains of the manufacturers of America one sentence, it would be this: "Turn from this constant introspection to the nations of the earth; down with the walls, out to the sea." There are two billion people in the world who want to buy what you make. Rise to the

height of the great thought that this immense population can be supplied by you with the implements of husbandry, the tools of artisanship, and the various articles of human handicraft. But they will not take your goods until you take theirs. Let your tariff disappear, and then, O manufacturers! your attention will be diverted from the profitless contests of domestic competition to the generous rivalries of foreign trade and in the easy victories which you will win, a wealth will come to you of which you do not dream to-day.

In conclusion, let me say a word as to the effect of this tariff system upon the wages of labor. It is claimed that the wages of the laborer are increased by protection. This cannot be, except upon this theory; that by legislation you keep out of this country the products of foreign manufacturers from competition with the products of the American, and thereby the latter is enabled to charge higher prices for his goods, out of which he makes greater profits, from which he is enabled to pay and does pay larger wages to his employes.

It is manifest that this theory cannot apply to the ordinary day laborer, or to artisans like the mason and the carpenter, or to the farm worker, or the railway employee, for none of those make any articles with which similar foreign articles can come into competition. These, therefore, are all unprotected laborers, and the only influence of the tariff upon them is to increase the cost of their living, and thus to take from instead of add to their wages.

But it is said the laborers are benefited and wages increased in the manufacturing industries. I am perfectly willing to admit that if you will compare this country with any other country of the Old World which has precisely the same tariff policy, the wages in this country will be, as they ought to be, higher than the wages there. Take, for instance, England and America, and let them both have either the same protective tariff or the same policy of free trade,

and you will always find wages higher here than there. But this is not because of the effect of legislation, but as a result of the peculiarly favorable conditions for labor which we enjoy politically and territorially.

The protectionist, starting with the proposition that wages are higher here, maintains that there should therefore be protection to American labor in order that it may not be brought into competition with the pauper labor of the Old World. My mind reaches the very opposite conclusion. The fact that we have high-priced labor here, better wages for labor here than abroad, is conclusive evidence to me that we do not need protection, and that what we do need is the speedy opening of the markets of the world.

High-priced labor means efficient labor, skilled labor, intelligent labor, productive labor. Pauper labor means inefficient labor, unskilled, unintelligent, unproductive labor. Let competition come between high-priced labor and pauper labor, and pauper labor will always go to the wall. I can understand why the poorly-paid laborers of the Old World should get down on their knees and lift up their hands and pray for protection against the high-priced labor of America; but I can not understand why the high priced, efficient, productive labor of America should beg protection against the products of the pauper labor of the world.

Mr. Chairman, it is inevitable that when competition comes between these classes of labor, high-priced labor must always win the victory. I will mention an instance which will illustrate my meaning. Gunny-bags are made out of jute, and this manufacture is carried on very largely in Calcutta by the cheapest labor in the world, the women getting from five to eight cents a day and the men from seventeen to twenty cents. Within a short time, as I have been informed, a gentleman has started the business of making gunny-bags in one of the eastern cities. He has built a structure, obtained his machinery, and he pays

women employees eighty cents to one dollar a day, men one dollar and twenty-five to one dollar and fifty. Yet with this high-priced labor he has almost gotton control of the gunny-bag market in South America and this country. He says if you will let him have jute free he will undersell the Indian pauper labor in the streets of Calcutta itself.

CHAPTER XXII.

THE TARIFF.

By Hon. Wm. P. Frye.*

MR. PRESIDENT: The Senator from Texas [Mr. Coke] on Tuesday last used the following language: "The word *protection* should be expunged from our vocabulary. It means monopoly; it means exclusive privilege; it means subsidy; it means that all shall be taxed and made to pay tribute to the favored few. It means combinations and lobbyists; a diversion of legislation from legitimate channels — from the great public interest to the interests of a few favored ones. It means a wholesale robbery of the people, and especially of the American workingman, in whose behalf it is invoked."

The Senator from Kentucky [Mr. Beck] in his speech, indicated very clearly that his opinion was, that protection was simply a pliant tool of New England monopolists, and his colleague [Mr. Williams] succeeding him, declared it was a legalized tyranny. Mr. President, you may consult the Democratic party for the last sixty years, go back to the heyday when Mr. Hayne of South Carolina declared in the United States Senate that protection would prove to the country worse than an Egyptian plague, and that free trade would abound in blessings next to the Christian religion, and come down to now, and you will find that it has denounced a protective tariff as "robbery," as "plunder,"

* Speech in the United States Senate, February 10, 1882.

as "a system of swindling," as "a means by which to make the rich richer and the poor poorer," as a specter grim and ghastly which takes its place at the head of every poor man's breakfast-table, which scowls at him every time he lights his pipe, and yet, sir, right in the teeth of these savage denunciations, fidelity to truth compels me to declare that I am a protectionist from principle. If there was no public debt, no interest to pay, no pension list, no army and no navy to support, I still should oppose free trade and its twin sister, "tariff for revenue only," and favor protective duties.

Mr. President, it seems to me that protection is absolutely essential to the encouragement of capital, and equally necessary for the protection of the American laborer. Capital needs the former more than the latter, I admit, for capital can easily take care of itself. If it gains no adequate returns in one business, it can readily seek it in another; if it reaps no profit at home, may try new fields abroad; may even let all effort alone, hide itself in Government bonds, and, enthroned there in perfect security, draw regularly its interest. Capital, too, is fearfully timid. The distinguished Senator from Ohio [Mr. Sherman] a few days since declared that there was nothing in the world so easily frightened as money. And yet the prosperity of the country imperatively demands its constant use, its investment in every industrial enterprise. The opening of mines, the forcing from the hiding places of the earth coal, iron, and copper, the smelting of ores, the erection of forges, foundries, and factories, the employment of men who must work or starve, demand its help. To inspire it with the requisite courage, to induce it to a useful activity, I would encourage it. But the labor of this country beyond that of any other demands protection against the cheap labor of Europe, for the laborer here has responsibilities, duties, and necessities unknown there. His wages can never go down to theirs without

absolute destruction to him and imminent danger to the Republic. The large majority of our men must earn their bread by the sweat of the brow. Under our Constitution they are the Government. How can hungry men govern? How can a half-paid, half fed, half-educated citizen rightly and intelligently understand and perform the duties of citizenship? He must have good food, enough of it, good clothing, school-houses for his children, comforts for his home, and a fair chance to improve his condition. To this end I would protect him against competition with the half-paid laborers of European countries who have never enjoyed his privileges, experienced his comforts, shared his duties and responsibilities, to whom his very necessities would seem luxuries.

The Senator from Texas joins issue with me on this question of labor, and in the same speech declares: "But it is said that much higher wages are paid to American operatives than to European workmen, and that to enable the manufacturers to pay these higher wages they must have a protective as distinguished from a purely revenue tariff, in order to exclude European competition. Do American manufacturers pay their operatives higher wages? Nominally and ostensibly they do, but really and in fact they do not."

That is a most amazing declaration. If it is right, I am wrong; if it is right, every conclusion of the argument of the Senator from Texas is entirely logical and legitimate. If that declaration made by the Senator is false in fact, then the three hours' argument founded upon it is an entire fallacy. Now, sir, I hold in my hand a book entitled "The State of Labor in Europe," printed by authority of Congress, "reports from United States consuls," and the Senator from Texas may take it, turn from blank leaf to blank leaf, he may read every page from beginning to end, and I defy him to point to one single statement of fact, to one single table of statistics, which does not prove conclusively that

his statement is not correct and that labor in Europe is paid from one-half to two-thirds less than it is in America to-day.

Again, I have now in my hand a book entitled "Labor in Europe and America," by Mr. Young, chief of the United States Bureau of Statistics. Let the Senator take this, turn it from blank leaf to blank leaf, and he cannot find a single fact stated in the whole book which justifies his statement.

Now, Mr. President, I do not propose to rely entirely upon consular reports. I am aware of some difficulties attending the getting at labor statistics in England and France and Belgium and Germany. Let an American consul go to the superintendent of an English mill, step into the counting-room, and ask him for his price-list paid for wages for his laborers; will he be treated politely; will he receive the same kind treatment he would in America? By no manner of means. They are determined, if possible, that information as to wages shall not go out. I am willing to admit that in some favored localities, in some particular class of work, for instance, if you take some of the most skilled spinners and weavers in an English cotton mill and in an English woolen mill, you will find that for two or three in a room, the wages will come nearly up to the wages in an American cotton or woolen mill; but you take the wages of the laborers right through the mill, and I defy any man on earth to show that they are not as much as one-half below the wages in the cotton and woolen mills of America?

I do not rely upon these consular statements alone; I happen to know men in this country who own mills in Great Britain and in the United States, who hire laborers there and here, and I obtained from them information so that there could be no mistake about this. The Senator from Texas must remember that wages paid to the operatives in the cotton factory by no means represent the cost of manu-

facturing. The cost of the mill and machinery, of the coal and gas, 90 per cent. of which is labor, and the taxes upon the property must come into that computation.

Now, sir, as to the comparative cost of mills in the two countries, I call in evidence the statement of the treasurer of the Conant Thread Company of Pawtucket, Rhode Island. They own and run thread-mills in Great Britain as well as here:

OFFICE OF THE CONANT THREAD COMPANY,
PAWTUCKET, R. I., January 19, 1882.

In reply to yours of the 18th we can say, that from the best data we can obtain, the cost of building and equipping a cotton factory in New England, as compared with the cost of a similar structure in Lancashire or Scotland, is just about double, or, to give a few figures, a new fire-proof brick structure, furnished with steam power and all necessary adjuncts, in shape of store-houses and accessories, containing 50,000 to 80,000 spindles, spinning, with all machinery complete for spinning 60*s*. to 120*s*. yarns, land and all, can be furnished in Lancashire to-day from twenty-two to twenty-four shillings per spindle.

In Rhode Island the same will cost $12 to $15 per spindle.

Trusting this will be satisfactory, we remain,

Yours truly, CONANT THREAD COMPANY,
H. CONANT, *Treasurer*.

Mr. President, what makes that difference in cost? Remember that the mill, the coal, the gas, are all 90 per cent. labor. Remember that the trees in our forests, the clay in our banks, the stone and slate in our quarries, the coal in our mines, are certainly as cheap as in Europe; and, remembering these things, will the Senator from Texas tell me what makes the mills here cost twice as much as they cost there? It is because 90 per cent. of the cost is labor, and the labor there is paid only one-half as much as labor here, and no other reason can be suggested or given.

But, Mr. President, as to the wages of the operatives. Again I cite the Clark Thread Company. I have their pay-

roll in Scotland and here, and there can be no mistake, I take it, about that. Mr. Clark says:

CLARK THREAD COMPANY, NEWARK, N. J.,
January 25, 1882.

DEAR SIR: As requested, we herewith send you a list of wages paid the workers in Clark & Co.'s, Paisley, Scotland, and the wages paid the same class of workers in Newark, N. J.

Employés.	Paisley, Scotland.	Newark, N. J.
GIRLS:	*Per week.*	*Per week.*
Spoolers,	$3.50 to $3.75	$7.00 to $9.00
Reelers	3.50 to 3.75	7.50 to 8.50
Cop-winders,	3.50 to 3.75	7.50 to 8.50
Twisters,	2.25 to 2.50	5.00 to 6.60
Strippers	1.50 to 1.75	3.00 to 3.00
Bobbin-cleaner,	1.25 to ——	2.50 to 2.50
MEN:		
Carpenters,	7.00 to 7.50	16 50 to 18.00
Machinists,	7.00 to 7.50	16.50 to 18.00
Dyers	7.00 to 7.00	15.00 to 15.00
Bleachers,	6.50 to 6.50	13.50 to 13.50
Firemen,	6.00 to 6.00	12.00 to 13.00

The above is, to the best of my knowledge, correct.

These letters, coming from men who know whereof they affirm, show by their tables the wages paid the operatives in the two countries. About it there can be no mistake, for the same men pay the wages there and here. This conclusively shows that in Europe the laborers do not receive one-half as much pay as do ours, and yet the Senator from Texas declares they are paid alike.

Let me ask the Senator from Texas why is it that 11,000,000 men and women have left Europe, nearly all of them laborers, and have sought our shores? Why is it that not 200,000 of them have ever returned to Europe? Why is it that last year 700,000 laborers from Europe came to our country? Why is it that 50,000 came from England, the highest wage-paying country in Europe? Why is it that

you cannot go into a cotton-mill or woolen-mill in America to-day and not find on the pay-roll scores of English mule-spinners and card-strippers and dyers; and why is it that they never go home, but the moment they lay aside from their high wages enough they send for their brothers, their fathers, their wives, and their children to come out too?

Sir, Europe has 312,000,000 inhabitants, Massachusetts has 1,700,000. Europe has 184 times as many inhabitants as Massachusetts. Both are laboring communities, both engaged principally in manufactures. Why is it that in Massachusetts the laborers have $231,000,000 of money in the savings banks, one-seventh as much as the whole 312,000,000 in Europe in their savings banks, postal and other? Why is it that in the North alone—leaving out the South only because she has few if any savings banks—why is it in the States excluding the South, having a population of about thirty millions or thirty-five millions, they have $200,000,000 more in the savings banks than they have in all Europe with its 312,000,000 of people?

Sir, to-day, in this nineteenth century, when most men, thank God, can read and write, it will not do to tell the American people that the wages in Europe are as high as the wages in America. I am not yet convinced, and am still a protectionist. The Senator from Kentucky sitting near me [Mr. Williams] and the other Democratic Senators and the Democratic party sharply join issue with me and say, "No robbery, no plunder, no system of swindling; we are for free trade; we are for a tariff for revenue only."

Mr. President, what are free trade and a tariff for revenue only? They are one and the same, now and forever, as inseparable as Siamese twins.

Free trade is the admission into our ports, the discharge upon our wharves, the offering in our markets the products and manufactures of the world, regardless of mere cost, regardless of the amount of labor entering into them and of

the price paid for that labor, regardless. too, of the effect upon our industries. By it France, Germany, Belgium, and England are solicited to bring into our market their silks, cottons, woolens, linens, manufactures of iron and steel, the products of the loom, the forge, and the farm, on the production of which the labor expended has cost from one-quarter to two-thirds of what we should have been compelled to expend in producing the same.

WHAT IS A TARIFF FOR REVENUE ONLY?

I suppose that England has such a tariff more nearly than any other country, but even her free-trade theories allow her to protect her manufactures by an increased duty upon her manufactured article.

The chief items of receipt under the head of customs duties for England during the past year were, from—

Chicory,	$360,000
Cocoa,	230,000
Coffee,	1,025,000
Currants,	1,380,000
Figs,	130,000
Raisins,	775,000
Rum,	11,510,000
Brandy,	7,935,000
Tea,	18,500,000
Tobacco and snuff,	43,000,000
Wine,	7,000,000

The revenue from these duties last year was $96,000,000; almost, if not quite, as much per capita as we receive from our tariff. Undoubtedly the party which has such a holy horror of "monopolies," of "New England capitalists," of "thieving manufacturers," and would never protect except when the necessary revenue compelled it, would copy after this great free-trade model, and raise this revenue from tea, coffee, chicory, cocoa—upon whatever we must have and do not raise or make. With a strange inconsistency, however,

they would collect forty-five millions annually from sugar, rice, and hemp, raised in the South, and therefore protected without any violation of Democratic free-trade principles. If they undertook to raise the revenue by duties upon manufactured articles, those duties would necessarily be so low as not only to enable the foreign manufacturer to compete with ours, but to undersell him, so as to induce large importations and realize great revenues. The only way open to us for a continuance of employment would be a reduction in the wages of the employed. I have had some experience on the House Committee on Ways and Means, and know what my Democratic friends mean by a "tariff for revenue only."

I have no hesitation in declaring that a tariff for revenue only—that is, a tariff law under whose provisions the largest amount of revenue can be raised in the easiest manner for the Government—would be more disastrous to our people than free trade, for, while it would leave open and free competition to all countries in everything we raise or manufacture, it would increase the cost of those we cannot and yet must have, the factor of competition being left out.

WHO ARE THE ADVOCATES OF FREE TRADE?

The only prominent champions of free trade to-day in the world are England and the Democratic party of the United States. Amazing co-partnership! For centuries England was the most earnest, vigorous, and determined champion of protection the world ever saw, enforced the extremest doctrines by all the powers of war and all the arts of diplomacy. She destroyed the growing commerce of Ireland with one blow of her navigation laws, repressed her cattle raising, her wool growing, her manufactures, and made her the waste of to-day. She attempted the same *rôle* in America; forbade the exportation of her products to any country other than her own; forced all of the carrying trade into English

bottoms; repressed all manufactures of fabrics, and provided by law "that none of the American Colonies should manufacture iron of any kind; that no smith should make a bolt, spike, or nail, bar or rod iron; that no mill or other engine for rolling iron, or furnace for making steel should be permitted;" finally drove us to revolution and lost the brightest jewel from her diadem. This spirit of repression in the interests of protection controlled her conduct with all of her Colonies. Nor did England confine this policy to them alone, but by every art and device known to war and peace she protected and encouraged her manufactures, strengthened and extended her commerce at the expense of every nation she could frighten or cajole. By fraud, diplomacy, and war, by repression, protection, and prohibition resorted to for centuries with a persistency and determination which never wavered, England found herself "mistress of the seas" and manufacturer for the world. Then with an accumulated capital no other country possessed, with skilled artisans kept at home by laws forbidding emigration, with machinery far in advance of any other nation, with a merchant marine capable of doing the carrying trade for the universe, with the key to the whole situation in her own hands, as she thought, England suddenly discovered the charms of "free trade," opened her own ports, and demanded reciprocity. Was this new light? Had she found herself in the wrong during all these years of wonderful growth, and to do works meet for repentance, to repair the wrongs inflicted upon the other nations of the earth, did she determine upon this new policy? By no manner of means. She only counted herself able, with the advantages she possessed, to compete with the world successfully to herself—to hold her own markets and gain theirs. Well may she to-day, with her Cobden Club, and with every device of which she is so cunning a manipulator, join with the Democratic party in a crusade against our industries. With her overflowing population, with a produc-

tion one-quarter of which she cannot consume at home, with a third of her spindles idle, with protection against her manufactures in almost every country, even in her Colonies of Australia and Canada, well may she champion the cause of "free trade" in this Republic with her fifty millions of people. To succeed and to accomplish her purpose would be the crowning glory of her great industrial career.

Mr. Clay, in 1824 in the Senate, discussing the tariff said: "The existing state of things presents a sort of tacit compact between the cotton-grower and the British manufacturer, the stipulations of which are, on the part of the cotton-grower, that the whole of the United States, the other portions as well as the cotton-grower, shall remain open and unrestricted in the consumption of British manufactures; and on the part of the British manufacturer, that in consideration thereof he will continue to purchase the cotton of the South."

On reviewing the great debates on the tariff from 1824 forward for ten years, it will be seen that Hayne, Hamilton, McDuffie, Wickliffe, Benton, Rankin, Garnett, Cuthbert, and others, leaders in the Democratic party, opposed the protective policy on the ground that cotton was the king, and ought by right to be; from a desire for a market, a fear of retaliation if we protected against English manufactures, cheap food for the slaves, etc.

One of their leading statesmen said: "We must prevent the increase of manufactories, force the surplus labor into agriculture, promote the cultivation of our unimproved Western lands, until provisions are so multiplied and reduced in price that the slave can be fed so cheaply as to enable us to grow our sugar at three cents a pound."

Mr. Clay rebuked this strangely selfish spirit: "The gentleman would have us abstain from adopting a policy called for by the interests of the greater and freer part of the population. But is that reasonable? Can it be expected

that the interests of the greater part should be made to bend to the condition of the servile part of our population? That in effect would be to make us the slaves of slaves."

I have listened to many discussions of the tariff within the last ten years in Congress, and the animosity of the Democratic leaders toward protection has never been concealed. I give a few extracts from their speeches, indicating what tender nurses they would be for a tariff. In 1866, Mr. Marshall of Illinois, a leading Democrat, member of the Committee on Ways and Means, speaking of the tariff, said: "In all ages of the world there has been an effort by legislative jugglery to rob the toiling millions, build up a favored class who could riot in unbounded wealth wrung from the hard earnings of labor."

Again, he declares that "the Democratic party was organized and formed to protect the people from such legislative robbery."

Dr. Elliot, as I have shown, furnishes the key to this in his statement that it was organized to secure to the slaves of the South cheap food from the North.

Mr. Marshall, in the same speech, calls the friends of the tariff "plunderers," "robbers," and declares that the dignity of the House alone restrains him from speaking the whole truth.

Hon. Mr. Kerr, subsequently Democratic Speaker of the House, discussing the same bill, says: "I arise for the purpose of uttering my solemn protest against the infamous and irreparable crime which this House threatens to perpetrate against the liberties of the people of this country by the passage of this bill."

He also speaks of his protective policy as "vicious," of "protective-tariff swindles," of "our unwise, dishonest, and vicious protective system," "infamous system," and concludes his speech, "if our country is ever to become prosperous and happy again, it will be after a return . . .

to the rational revenue system of her better days," meaning, I suppose, that system which was to make the North a great feeder of slaves.

Senator Hamilton, in the forty-second Congress, said of protection: "It is a firmly formed, rotund, impressive, seductive word, gaudily, nay richly, attired, veiled even as the Prophet of Khorassin, but when stripped presents features narrow and contracted, repulsive, with low cunning, morbid selfishness, base instincts. There is nothing in it broad, nor good, nor benevolent, nor liberal."

Said Mr. Crossland: "God speed the day when all the doors of commerce shall be thrown open, all its shackles knocked off, and all the nations of the earth invited to come into our ports—to bring to our markets their manufactures free of taxation, and bid against each other for our products."

Senator Johnston of Virginia: "Sir, I am opposed to this protective system; I favor free trade."

And this is the honorable Senator's definition of protection: "It is a cunningly-devised scheme, by which a portion, and but a small portion, of the community, under the pretense of raising revenue for the support of the Government, get rich at the expense of a large majority of the people."

Mr. Lamison, of the House, declared his belief in free trade, and said: "The prosperity of the country will be increased if all our ports are thrown open and the commerce of the world is invited to unload its cargoes without the payment of one dollar of duty."

In a tariff discussion in 1880 Messrs. Morrison, Cox, and Mills declared themselves "free-traders."

Hon. Mr. Muldrow talked about protection having "its iron fingers on the throat of every man."

Hon. Mr. Tucker of Virginia said: "The lowest rate of duty on every article which will produce the required revenue is my idea of a revenue tariff."

Hon. Mr. McKenzie of Kentucky said: "This tariff system was conceived in sin and brought forth in iniquity. It derives its name from Tariffa, where, during the Moorish domination in Spain, exactions from every passing vessel were made. Our American system . . . is as downright and unquestionable robbery as it was on the part of the Moors to extort tribute from the unlucky merchant."

And I might go on with such morsels for the day, but it seems to me here is enough to satisfy any man that it will not be a prudent and judicious act to put our protective policy out to the tender care of such a wet-nurse as this. How strangely alike are the discussions of that earlier day and these of the last ten years, the same fearful prophecies of woe to the land, of destruction to the country, of sorrow to the poor, of starvation to the laborer, if protection prevailed.

A protective tariff prevailed, too, notwithstanding the denunciations and evil prophecies of these latter-day Democratic saints, and what followed? I let Dr. Loring, Commissioner of Agriculture, in a speech recently made at Boston, reply: "This Republic has increased in population at the rate of a million a year during the last decade, rivaling now every country in the world except Russia. It is not necessary to go back a half a century, or even twenty-five years, to obtain the most gratifying evidence of our progress in the work of tilling the soil. But starting in 1870, at which time we had reached an enormous production in proportion to our population, let us make our comparisons with the returns of 1880. In 1870 the amount of cotton produced was 4,352,317 bales; in 1880 more than 6,000,000 bales. In 1870 the amount of Indian corn raised was 760,940,594 bushels; in 1880, 1,754,449,435 bushels. In 1870 the wheat crop was 287,745,626 bushels; in 1880 it was 459,667,022 bushels. In 1870 the crop of oats reached 282,107,157 bushels; in 1880, 407,859,033. In 1870 the

tobacco crop amounted to 262,735,341 pounds; in 1880 it amounted to 473,107,573 pounds. The increase of agricultural products was nearly one hundred per cent. in these ten years, and in the last year of this decade, from 1879 to 1880, out of this vast increase of our crops and products, our cattle export rose from $13,000,000 to $14,000,000; corn, from $43,000,000 to $50,500,000; wheat, from $167,698,000 to $190,546,000; flour, from $35,000,000 to $45,000,000; cotton, from $209,852,000 to $245,534,391; beef, from $7,000,000 to $12,000,000; lard, from $28,000,000 to $33,000,000; and pork, from $5,000,000 to $8,000,000. Mark also the growth of American manufactures in half a century. In 1830 the amount invested in cotton manufactures was a little more than $40,000,000. Fifty years have passed away and the amount of capital invested in mills and subsidiary work is more than $225,000,000. Of our woolen manufactures the statistics are more imperfect, but I have ascertained that in 1840 the value of the product was $20,696,699, and in 1880 the value of woolens, worsteds, carpets, and hosiery produced was $234,587,671. In 1870 the silk productions of the United States were valued at $12,210,662; in 1880, at $34,410,463. Fifty years ago the shoe and leather industry had hardly a national reputation. In 1870, however, there were 4,237 tanneries in the United States, employing a capital of $42,710,505 annually, and producing leather valued at $86,169,883. The growth of the iron and steel industry has been equally remarkable. In 1810 we produced only 50,000 tons of iron, and our largest furnace could yield only 1,100 tons annually. But in 1830 the product was 165,000 tons; in 1860, 1,000,000 tons; in 1880 the iron and steel works in the United States produced 7,265,100 tons.

"The aggregate annual product of our manufacturing and mechanical industries is now more than six thousand millions of dollars. Of this vast product less than two

hundred millions are exported. And of the nine hundred millions produced by agriculture, less than ten per cent. is exported. On the self-supporting power of the American people, and of the mutual relations existing between our industries, we can dwell as Americans with the most profound satisfaction."

The wildest enthusiast for protection in 1824 never dreamed of any such marvelous progress in industrial prosperity as this. I have referred to two eras of protection, and the unparalleled prosperity of both no man can gainsay. I know that free-traders tauntingly point to 1873, its panic and subsequent hard times. But what had that to do with protection? Its causes are familiar to every Senator, and I do not propose to enter upon a discussion of the war, an inflated currency, wild speculations resultant to it, and to the other causes common to other countries and ours. Why, free-trade England was worse off than we. More than half of her spindles were idle; half of her workingmen were out of employment, and she was feeding more paupers than ever before. Suppose we had had no protection against her then! She would have poured her surplus products into our markets, our manufacturers would have been literally crushed, and it would have taken many years for recovery of our position. History repeats itself. Our periods of prosperity have been the years of protection, and of adversity those of free trade; and by free trade I mean a tariff for revenue only. In 1789–1801 we had protection; in 1801–1812, free trade; in 1812–1816, protection; in 1816–1824, free trade; in 1824–1833, protection; in 1833–1842, free trade; in 1842–1847, protection; in 1847–1861, free trade; and in 1861–1881, protection again.

Take, for an example, those good old Democratic times from 1847 to 1860. That party found the country when they took it in a condition of healthy prosperity, placed it promptly under a tariff for revenue only, held it for twelve

years, left it in debt, with its Treasury bankrupt, unable to borrow a few millions even for twelve per cent. interest, its industries almost destroyed, its courage completely paralyzed. The Republican party received it in this condition, placed it as promptly under a protective tariff, carried on a four years' war, raised billions of dollars by taxation, other billions by bonds, paid its debt for years at the rate of one hundred millions a year, reduced the rate of interest to three and a half per cent., and have it to-day in the most prosperous condition it ever enjoyed. When, in the history of this or any other country has free trade proved a blessing? Now and in England, every free-trader cries. But I have already tried to show that she never could have experimented with what she calls free trade if she had not first achieved greatness and power under protection. But what are the facts? Is England prosperous to-day?

That the English people are thoroughly aroused to-day on this vital question of protection I think no man will deny, and it is my firm belief that the English workingman will, before ten years have passed, have compelled the Government to renounce its free trade and adopt protection.

The only country in the world I know of that has thoroughly free trade forced upon her by compulsory process is that most distracted and unfortunate land, Ireland. Before the union her manufacturing industries were protected against England by duties on woolens, silks, cotton, yarn, and twist, and cotton manufactured goods. Her calicoes and muslins were protected by a duty almost prohibitory, and Ireland was rapidly becoming a successful manufacturing country. Her people were happy, contented, industrious, and prosperous. There was a loom in almost every house, and with it comfort came, too. Her linens were known and appreciated all over the world, and her silks were gaining a ready market. There were in 1800, as appears by an imperfect census then taken, over 8,000 weavers employed in

Cork alone, over 5,000 manufacturing woolen goods in Dublin, 3,000 making blankets in Balbrigan, 2,000 weaving calicoes in Wicklow, 1,000 making flannels, while the numbers engaged in linen work were immense. This linen trade was encouraged by subsidies, but they were gradually withdrawn until all protection ceased in 1826. In 1825 more than thirteen million of dollars were expended in the purchase of coarse, unbleached, home-made webs of linen. What a power of good, of comfort, and of happiness, those home-made webs revealed. England, not content with destroying Ireland's navigation, with crushing out, in the earlier days, her manufacture of woolens, greedy to manufacture for the world, determined that the rest of mankind should raise the raw materials to feed her hungry looms, as the South wanted us to feed their slaves, beguiled poor Ireland into assenting to the act of the union, under the terms of which every duty was repealed—some gradually, to be sure, but certainly. The act continued the tariff on woolens for twenty years, terminated it on calicoes and muslins in 1821, on cotton yarn and twist in 1816, withdrew all subsidies in 1826, and Ireland enjoyed the benefit of absolute free trade. What was the result? England held both ends of the bargain. Ireland could raise in her fertile soil the raw material. England could make it into goods cheaper than she could, but Ireland had no voice in the price to be paid for either. In 1840, another census was taken, and there were 500 blanket-makers in Kilkenny, 200 silk-weavers in Dublin, no carpet makers in all Ireland, no linen-weavers in Cork, 300 operatives in that city in all the manufacturing industries, where fifteen years before there were 8,000 weavers alone.

Free trade had done its work and Ireland was starving. She is the only absolutely free-trade country in the world to-day, the only land enjoying its rare privileges in complete fullness, and what a commentary it affords with a good

climate, a fertile soil, great rivers, splendid water-power, broad, safe bays and harbors, an abundance of minerals, an industriously-inclined people, it is the most terribly vexed, troubled, suffering, distracted, impoverished, starving country in the world. Irishmen, loving their land earnestly and with more unbounded enthusiasm than the men of any other country, have been driven into exile by the millions. Now, I do not blindly charge all of her woes to free trade alone; land tenure has to answer for a portion, not for more than half. Give her a parliament of her own, and the first act passed would be a protective tariff, and in twenty years from now the exiled Irishman would return to the land he loves and find it peaceful, contented, and prosperous. England, for her own selfish purposes, fastened these two fearful leeches upon her, and they have been fattening on her blood. England and her ally, the Democratic party, are undertaking to fasten free trade upon us, and, strange to say, nine-tenths of our citizens of Irish birth, starved out of home and driven here into exile, go every year to the polls and vote with England's Democratic ally for free trade!

THE EFFECT OF THE TARIFF UPON THE PRICE OF MANUFACTURES.

Mr. President, the Senator from Kentucky [Mr. Beck] and all advocates of free trade, or tariff for revenue only, insist with great vehemence that our tariff enhances the cost of everything. The facts fail to justify the declaration. Allow me to give a few illustrations. In 1860 we had a tariff for revenue only, wages from forty to sixty per cent. less than now, all kinds of business dull, no demand for goods; while in 1880 we had the "robber tariff" and an active demand.

There is not a fabric in the whole list that is not cheaper to-day in the markets than it was under the "tariff for revenue only." It is an ascertained fact that our army to-day is clothed cheaper than any in the world, quality of the cloth considered.

Take iron used in ship-building. From 1850 to 1860 we paid for ship or tank plate, 4 cents per pound; flange-iron, 5 cents; angle-iron, $3\frac{3}{4}$ cents; rivets, 5 cents; average, $4\frac{1}{2}$ cents. From 1870 to 1880 we paid for ship or tank plate, $2\frac{1}{2}$ cents per pound; for flange-iron, 4 cents; angle-iron, $2\frac{1}{2}$ cents; rivets, $4\frac{1}{2}$ cents; average, $3\frac{3}{8}$ cents.

STEEL RAILS.

We commenced their manufacture in 1865, and since then have made four and one-half millions of tons. In 1864 we paid for English steel rails from $80 to $112 in gold per ton, delivered at English seaports; in 1877 the prices in England ranged from $72.50 to $77 a ton, while we, since 1870, as appears in the testimony before the House Committee on Ways and Means during the last Congress, have sold more than one million tons as low as $55 a ton, and in 1877 they run down to $40. Even now, with the tremendous demand, they are sold for from $60 to $65. It must be remembered that there never was so great a demand for rails as during the last twenty years. Since 1861 we have built 65,000 miles of railroad, and during the last two years more miles than during the ten from 1850 to 1860, under the low tariff.

The tariff stimulates production and cheapens price. Let me illustrate this with a few examples. Take the manufacture of pottery. In 1860 there were about two thousand men engaged in making pottery. The industry was struggling for an existence. In 1870 there were over six thousand; in 1880, probably twelve thousand; in 1860, the capital invested was about one million and a quarter; in 1870, five millions and a quarter; in 1880, probably double that amount. The census of 1880 has not been so completed as to enable me to be exact.

To-day there are pottery establishments in every State in this Union except Florida. Let it be remembered that in this industry the manufactured article represents more than

ninety per cent. of labor; that the wages in Europe are considerably less than one-half of those paid here. Return to free trade, and no pottery manufactory could run for six months. What has been the result as to prices? Pottery sells to-day in the United States for thirty per cent. less than it did in 1860.

Take worsted goods, the creation entirely of our protective tariff, and silk goods also. Read these instructive tables taken from the census. See the wonderful growth of both industries, the number employed, the annual wages paid of $15,000,000, and then tell me, is protection destroying the country?

Year.	Number of establishments.	Number of laborers.	Capital invested.	Wages paid.
Silk manufactures:				
1860, ...	139	4,535	$2,926,980	$1,050,224
1870, ...	86	6,649	6,231,130	1,942,286
1880, ...	290	34,440	15,394,700	9,107,835
Worsted goods:				
1860, ...	3	2,378	3,230,000	543,684
1870, ...	102	12,920	10,085,778	4,368,857
1880, ...	75	18,773	20,411,043	5,645,681

And yet both silks and worsteds are selling for considerably less now than under the "tariff for revenue only."

How is it, Mr. President, that the tariff, seemingly a tax upon manufactures, cheapens instead of enhances the price? Ireland could answer that understandingly. She learned by bitter experience how much the price of raw material was reduced when obliged to sell it to England, and how much the value of goods made from it was enhanced when forced to buy it back manufactured, the factor of competition expelled. Worsted goods illustrate. Twenty-five years ago we made none in this country, and the prices were extravagantly high. In 1862, encouraged by the high tariff, we started a dozen establishments. In 1880, they had

grown to seventy-five, with a capital of more than twenty millions of dollars. They were rival establishments, competing with each other for the markets, each striving to reduce the cost without cutting down the wages. So they appealed to the inventive genius of the country, levied contributions upon that, and it responded wonderfully with machinery marvelous in its ingenuity, power, and capacity. And so, year by year, the cost of the cloths was reduced, not only here, but abroad. And such has been the history of the result in every industrial enterprise started here. The Senator from Kentucky [Mr. Beck] talks about the monopolies of New England. Why, sir, there is not a monopoly in New England; not one. There is not a business carried on there which is not open and free to any man. The only monopoly I know of in this country is a great railroad without any competing line.

HOW DOES THE TARIFF AFFECT FARMERS?

The Senator from Kentucky [Mr. Beck] insists that the manufacturing interests have been promoted at the expense of agriculture; that our farmers have been taxed, ay, robbed, for their benefit. A serious charge; but is it true? What are the facts? The manufacturing industries have prospered and increased amazingly during the last twenty years, but the progress in agriculture has been marvelous, far outstripping them all. The census is yet incomplete, but the following is gathered from it:

The following are the wheat, corn, and oat crops in bushels during the following years:

Year.	Wheat.	Corn.	Oats.
1839,	84,823,272	377,531,875	123,071,341
1849,	100,485,444	592,071,104	146,584,179
1859,	173,104,924	538,792,742	172,643,185
1869,	287,740,626	760,944,549	282,107,157
1879,	459,479,505	1,756,861,535	407,858,999

Barley increased from 4,000,000 bushels in 1839, to 40,000,000 in 1879. Twenty years ago there were in the country 23,000,000 of sheep; in 1880, 42,000,000. Then the clip of wool was 60,000,000 lbs.; last year, 230,000,000.

Nor, Mr. President, is the farmer left without protection. The duty on animals is twenty per cent.; bacon, two cents a pound; beef, one cent; buckwheat, twenty per cent.; butter, four cents a pound; cheese, four cents; corn, ten per cent.; hay, twenty per cent.; oats, ten cents a bushel; pease, from ten to twenty per cent.; potatoes, fifteen cents a bushel; rye, fifteen cents a bushel; sheep, twenty per cent.; wheat, twenty cents a bushel, etc.

Besides, Mr. President, are the five millions of workers in iron, copper, of cotton and wool, with five millions more dependent upon them. all consuming and producing nothing the farmers raise, no protection to them? Adopt free trade, destroy manufacturing, make these men producers instead of consumers, and would not our farmers harvest ruin from the change?

It seems to me that in my own State we have a wonderful illustration of the benefits of protection. Aroostook County, situated in our extreme northeast, with only one railroad outlet, and that through the Canadian provinces, with fertile lands but long winters, its only business agriculture and lumbering, inclosed on two sides by the Dominion of Canada, where everything from the farm can be raised cheaper than in the States, shows by the last census how agriculture has been "robbed" by protection and farmers sacrificed to manufacturers. The percentage of the growth of population from 1860 to 1880, is eighty-five per cent., the percentage from 1870 to 1880, being forty-one per cent. A comparison of the agricultural products of that county, as returned in the two censuses of 1870 and 1880, being the crops of the years 1869 and 1879, shows the following percentage of increase:

	Per cent.
Tons of hay,	69
Irish potatoes,	490
Value of orchard products,	17
Pounds of wool,	121
Dairy products* (milk, butter, cheese),	83
CEREALS:	
Bushels of barley,	223
Bushels of buckwheat,	82
Bushels of Indian corn,	9
Bushels of oats,	18
Bushels of rye,	327
Bushels of wheat,	194

A comparison of the statistics of live stock on farms as returned in the two censuses of the years 1870 and 1880, shows the following percentage of increase:

	Per cent.
Horses,	79
Mules and asses,	10
Milch-cows,	73
Other cattle,	68
Swine,	65
Sheep,	175
Working oxen,	34

It produces millions of bushels of potatoes, the best in the world, but ordinarily, if forwarded to the markets, the long distances on bad roads running through a foreign country, they would hardly be worth the raising. Here the tariff, that "robber," comes to their relief, by laying a duty of twenty per cent. on potato starch, starting up starch-factories over the country, accessible to all, and easily taking their surplus crop at fair prices. So the country during the last ten years has been steadily growing in prosperity, her farmers getting out of debt, making improvements, clear-

* All the products of the dairy in the above computation were reduced to butter, on the basis of three gallons of milk, or two and one-half pounds of cheese to one pound of butter.

ing up new lands, building great barns and comfortable houses, supplying for their families not only the necessaries of life, but indulging them in its luxuries. I had the pleasure of traveling through it last season, and found it in all things a marvelous creation, as I believe, of a protective tariff.

Mr. President, we grow rich and powerful under protection, and yet we have free trade more absolute and abundant than all the rest of the world between thirty-eight States and nine Territories, stretching from the Atlantic to the Pacific Ocean, from the Dominion of Canada to the Gulf of Mexico. That internal trade last year amounted to eighteen billions of dollars, six times greater than the export and import trade of Great Britain. I have used figures from an article in the last *International Review*, entitled "Influence of European Industries on the United States," by J. L. Stevens. Mr. Stevens is our minister-resident at Stockholm; has been in Europe for many years, is a man of ability, experience, and extended information.

I commend the article as one replete with valuable information, and take the liberty of quoting his opinion, gathered from long and careful observation: "It was the imperative need of the United States for revenue, and the requirements of our national resources and of our internal trade, which caused our statesmen at a great national epoch to adopt our present tariff policy. Fortunate it was that our imperative revenue needs to sustain national existence and national faith conformed so completely to the internal wants of the country's resources in respect of development. By it our national unity was maintained against titanic assaults within and great perils abroad. By it our national honor has been kept untarnished, and now shines with "purest ray serene" in the financial markets of the world. The solid fact — the ripe fruits from the vigorous tree of experience — give irresistible testimony in its favor. In less

than twenty years the entire property of the country has increased from $16,000,000,000 to nearly $38,000,000,000, though in that time $4,500,000,000 were lost to the country's wealth by the war. The manufacturing power and products of the country have nearly tripled, the United States at this time turning out cotton and woolen fabrics more than one-fifth as much as entire Europe, while possessing less than one-sixth as much population. Our entire manufactures of all kinds are equal to one-fourth of the total produced by Europe. In the same period we have built more than sixty thousand miles of railroad, and since 1865 have paid off $800,000,000 of national debt, and reduced our annual interest on the same to the extent of $70,000,000. In the same time, of less than nineteen years, our home commerce has augmented threefold, our foreign trade has largely increased, and our financial power and prestige in the commercial centers of the world stand far higher than they stood twenty years since."

Mr. President, how wonderfully applicable to our country now after twenty years of protection is that beautiful picture drawn by Mr. Clay after the seven years of the tariff bearing his name. The only figures we miss are "the overflowing Treasury" and "our tonnage swelled and fully occupied." The deficiency from the picture of "the overflowing Treasury" I shall not attempt to account for, lest I might be accused with trying to rake open the dying embers of internecine strife; but the Senator from Kentucky [Mr. Beck] compels me to consider briefly the "tonnage swelled and fully occupied," for he declares with emphasis that the war had nothing to do with the destruction of our commerce, that protection is answerable for it—a most amazing assertion in the light of history! From 1850 to 1860, England, having found that she could not compete with us in building wooden ships, that she was handicapped with want of material, was compelled to freight it thousands of miles, that we were not

only outstripping her in the race, but were selling her hundreds of thousands of tons of shipping every year, tried the experiment of iron steamships, found them a success, changed from side-wheelers to propellers, from the ordinary high-pressure engine to the compound, increasing the speed and saving nearly one-half of the coal. Proudly indifferent from our success, we made no such experiments, traveling in the old pathway until we found ourselves in the midst of a fearful war. In July, 1861, the Sumter destroyed the ship Golden Rocket. At this time our ships were in every sea, in all the ports of the world, freighted with the productions of every country, bearing the fortunes of thousands of our citizens. The intense alarm of our merchants and shipowners can at this late day hardly be realized. Whither could our scattered ships flee for protection? The wing of the Government was powerless to cover them. English ship-yards became busy, and the Florida, the Alabama, the Georgia, the Tallahassee, the Chickamauga, and the Shenandoah, built in these yards, equipped, provisioned, and manned in English ports, were soon preying upon American commerce. The destruction of our shipping was immediate and the effect upon our commerce terrible. For years we had been increasing our ocean tonnage immensely—from 1830 to 1840, sixty per cent.; from 1840 to 1850, seventy-five per cent.; from 1850 to 1860, sixty per cent., and in 1861 had reached our highest point, having afloat 2,700,000 tons, and occupying the second place among the nations of the earth in the extent of ocean tonnage. A few years more of such advance would have given us the proud position of mistress of the seas. England saw this, feared it, and these cruisers were only doing her will. From 1861 to 1866 more than a million tons of this shipping was lost to us; more than one hundred thousand were burned by English cruisers, sailing under the confederate flag, and more than nine hundred thousand sought protection under foreign flags, principally

under that of England. The value of that remaining was crippled by the perils of the cruisers, the risk of sailing under our flag being so great as to drive a large proportion of the carrying trade into foreign bottoms. Our prestige was gone, our commercial power broken, and England was without a rival. Who can estimate the gain to her acquired by her wrong to us, a wrong she subsequently admitted and partly atoned? During the war, with all our energies directed to the saving of the nation, we saw her take nearly all of our carrying trade, and were utterly powerless. For two or three years after we were examining our accounts, balancing our books, restoring the Union, providing for a debt so enormous as almost to daze the people, and she still held her advantage. Without any of the advantages we had in 1850, with the disadvantages of heavier taxation of ships, of a tonnage improperly measured and taxed, of municipal assessments upon the vessel's value, while England assesses only on net earnings, with heavier port charges than she pays in foreign ports, with higher wages of officers and seamen, still there was a door we might have opened for the recovery of our carrying trade, and we never opened it. For the last ten years we could build iron steamships as good and almost as cheaply as she; but to do this, and to establish lines to compete with those already established, required immense capital, and the necessary capital needed encouragement. If we had paid our steamships for carrying our mails to foreign countries as much in proportion as we paid the steamboats for carrying them on the Mississippi River, or the stages for the same service across the prairies, we to-day should have been far advanced on the highway of recovery. If we had followed the examples of England, France, Germany, and, indeed, of any of the European powers, our iron steamships would to-day be plowing their seas. But we have been frightened out of our usual wits by the cry of "Wolf." We lost our carrying trade by the

war, and have not taken the first step since the war closed to recover it. Now, pray, what had the protective tariff to do with it? How could it affect it other than by reducing our exports and imports? But it has not reduced them. They have been surely and steadily increasing from $687,192,254 in 1860, until last year they reached the enormous sum of $1,613,770,633.

No, Mr. Senator, not protection, but war did the mischief; folly and cowardice have prevented all reparation. In the earlier days of the Republic, when England undertook to weaken our growing power on the seas, to defend it we declared war, expended $150,000,000 and thousands of precious lives; in the latter, when the same England, taking advantage of our distracted country, wickedly and selfishly succeeded in accomplishing what she ignobly failed in before, we allowed her to triumph, lest the representatives of the people should, forsooth, be taunted with voting for subsidies. But, sir, a discussion of the question of the restoration of our "swelled tonnage" of the past is hardly legitimate to the measure now under consideration, and I refrain, simply asserting that Senator Beck's method of restoration is utterly delusive: that free trade in ships, the repeal of our navigation laws, could not possibly have any result other than the immediate closing of every ship-yard in the country, the entering into other trades of all of our skilled workmen, the placing of our country at the mercy of England in event of war, and the complete surrender of our coastwise trade.

Mr. President, I have endeavored to show that the doctrine of free-trade sprang from a selfish and unworthy purpose; that while marvelous changes have been wrought in our country, slavery abolished, labor elevated, industries developed and multiplied, the Democratic party still adheres to the dangerous heresy; that free trade is antagonistic to our institutions and to our civilization; that its adoption would

necessarily degrade our workmen, reduce their wages, and have a tendency to unfit them for American citizenship; that protection has invariably brought us prosperity, increased wages, decreased cost of manufactures, and furnished a ready market for our farmers; that the best interests of all our people will be secured by a continuance of this the Republican policy. But, sir, I recognize as an important factor in this that our tariff laws must be harmonious, just, and equitable, and that the existing law does not in all respects answer this demand. Since the distinguished Senator from Vermont [Mr. Morrill] gave it to the country, so-called amendments have been made to it from time to time, some healthy, some unhealthy. The condition of business, the requirements of trade, the necessities of the people have changed; the rulings of the Treasury Department have modified its terms; there are excrescences that ought to be removed, rates too high that should be reduced, and in some instances too low, requiring raising; some articles now free should be taxed, and many now taxed should be made free. What is the best method of procedure? I have taken part in the House of Representatives in two revisions of the tariff, and in the Committee of Ways and Means in one attempted. This experience determines me in favor of the pending bill providing for a commission.

Mr. President, I thank the Senate for its indulgence.

CHAPTER XXIII.

NECESSITY AND BENEFITS OF THE SPEEDY REDUCTION OF TARIFF TAXATION.*

By Hon. D. A. Wells.

I DO not propose to occupy any time this evening in discussing the tariff from the standpoint of theory, or abstract principles. Protectionists are never weary of asserting that only theorists, book-worms, college professors, and persons corrupted by British gold and foreign influences advocate free trade for the United States; that it is not practical, or, as that eminent statesman, Warner Miller, when taking the chair of a Protectionist Convention some time since, expressed it when he said: "We plant ourselves on protection as a matter of fact. The professors tell us that free trade is perfect in theory, but it can't be applied to us. It would not correspond with the facts." And this idea, sedulously inculcated and reiterated for many years, has undoubtedly taken deep root in the minds of our people and formed the basis of a prejudice, which more than almost any other one agency has hitherto contributed to oppose the growth of liberal commercial sentiments in this country. But be that as it may, the time has now fully come when the friends of free or freer trade in this country may boldly and profitably challenge and meet the Protectionists on their own ground, and discarding for the time being all reference to

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*This speech of the Hon. D. A. Wells was delivered in the Cooper Institute, New York city, Nov. 22, 1883.

political economy and philosophical theories, discuss before the American people the question of the tariff and its reform from the exclusive standpoint of our experience and the actual and prospective industrial and financial condition and necessities of the country.

And first in the order of such experience is the fact, which even those who take but the smallest interest in this subject are beginning to recognize, that owing to our great natural resources, our rapidly increasing population, the increased use and power of machinery, and the energy of our people, the power of domestic production continually tends to be, and in most departments of industry is, far in excess of the power of domestic consumption. In the case of agriculture the fact is so obvious that no confirmatory evidence is necessary; but, if any is needed, it is all sufficient to call attention to the enormous surplus of food and cotton which which we now export to other countries, and to the circumstance that these exports during the last ten years have increased out of all proportion to any increase of home population. And in respect to our so-called manufacturing industries, it is only necessary to refer to the general complaint that business, though large (as it necessarily must be to supply the needs of a nation of 56,000,000) is, through excessive competition, conducted with little profit; that a very large percentage of that small part of our manufactures which can be subjected to foreign competition and which have been stimulated by high protection has either suspended wholly—like many of the iron furnaces and rolling mills, or have in a measure curtailed production without avoiding heavy losses—like those of cotton, wool, and silk; that manufacturers in certain lines of the two last named articles especially, have only been able to dispose of their surplus stocks by forced sales at auction and at prices less than the cost of production; that failures and fires (the latter the inevitable indicator and concomitant of bad times) are

increasing at a rapid and alarming rate; that the wages of manufacturing operatives almost everwhere throughout the country are undergoing extensive and, as the manufacturers claim, necessary reductions, while the purchasing power of wages is not increasing in any equal measure; that the opportunities for employment are conjointly becoming limited; and, finally, that artisans especially imported from foreign countries to work in certain employments (*e. g.*, glass making) in the United States are returning to Europe, with a view of bettering their condition. And lest I be accused of exaggeration in my statements, I would here ask attention to the following letter, written under date of Sept. 24 to the *New York Tribune*, by Andrew Carnegie, the well known iron maker of Pittsburg, in which he says:

"Much as I regret to say it, I believe that matters will grow worse for some months before manufacturing interests can reach a profitable business. A much more decided curtailment of production must take place before there can be any improvement. This will be brought about naturally by the prevalence of such ruinous prices as will compel manufacturers to stop producing goods in advance of the country's needs. But as great loss is entailed by curtailment of production, the works are kept running to their full capacity, although prices have fallen to figures which leave even those manufacturers who have unusually favorable facilities little or no profit, and entail a positive loss upon the average manufacturer. I think the wages paid at the (iron) mills on the seaboard of the United States to-day are about as low as men can be expected to take. In the West, notwithstanding a recent agreement of the men to accept a reduction of thirty per cent., it now seems probable, from the very unsatisfactory outlook, that they will have to be asked to work for still less."

And since this was written more iron and steel works have suspended operations, and more men have been thrown out of employment, and wages have been still further reduced.

WHY BUSINESS IS DULL AND UNPROFITABLE.

Now I think all will agree with me that this is a most anomalous and curious condition of affairs. If there had been any recent and extensive failure of our crops; if the world no longer wanted the useful things which we produce, if the skillful hands of our citizens had lost their cunning; if other and competing countries had all at once acquired any superior advantages over us, any one or all these causes might be given in explanation of what we are now experiencing. But none of these things have happened; and in no other country is there anything of an exactly similar character occurring. But curious and anomalous as is the situation, it is only what might naturally have been expected from existing circumstances. Thus, it needs but a superficial glance at our tables of exports to see that, comparatively speaking, we have but little other than the domestic market, and not the whole of that, for our vast and varied manufactured product—the ratio of exports for the years 1879–80 being only 12.5 of manufactured to 87.5 of manufactured commodities, or $102,249,000 of the former to $721,700,000 of the latter. And to make up even this beggarly twelve per cent. it was necessary to count in lumber, coal, and leather as manufactured exports.

Now it simply stands to reason that if the manufacturing industries of the United States are to be mainly limited to the requirements of a domestic market, that their growth must be also limited, and far below their normal capacity and tendencies; and if, under such limitations and arrest of industrial development, we also have, as is the case in many departments, more capital and labor engaged in production than is necessary to supply any current demand—three mills, furnaces, or factories, for example, where only two are needed—then as inevitable and necessary consequences, there will be disastrous reductions of prices through excessive competition for a market; the extensive curtailment or arrest

of manufacturing operations; the discharge and distress of operatives, and a failure of all those who are not financially strong enough to continue to work without profit, or carry stocks of goods indefinitely for the avoidance of the sacrifice of forced sales—in short, the very results which everybody must acknowledge are the special characteristics of the existing situation. And yet with such results so plain and palpable "that he that runneth may read," we find the financiers and business men of the country everywhere speculating and wondering what can be the cause of the bad times, and prophesying that next week or next month things will be better; when, if my diagnosis is correct, they will not materially improve, but as Andrew Carnegie believes, will grow worse until, through wreck and disaster, the home domestic manufacturing production is forced down into correspondence with or below the requirements for domestic consumption—unless in the mean time, through a change in our national fiscal policy, other and larger markets and outlets for our present surplus product can be opened, or some special Providence—like famine or war in the Old World—comes to temporarily help us out of our dilemma.

OUTLOOK FOR LABOR AND WAGES.

Such much, then, for the general business outlook. Let us next glance at the prospective situation for labor and wages. If the present curtailment or suspension of manufacturing operations in this country is to continue, or even if there is to be merely a diminution in our past ratio of industrial growth and development, and we are to continue to have poured in upon us annually from half a million to six hundred thousand immigrants—mainly laborers in the prime of life: and an annual increase of our population from natural causes of about three per cent. per annum, it would seem also clear that there must

be extensive reductions in the wages of American laborers; for with two, three, or more sellers of labor for every one buyer, the buyer will fix the price; and the price which the buyer or American employer will strive to fix, and indeed the price which his necessities will compel him to fix, if he is going to extend his operations and avoid producing at a loss, will be such as will enable him to produce equally cheap with his foreign competitor. A continuation of the causes and policy which restricts our American manufacturers merely to the domestic market for the sale of his products, and debars him in a great degree from access to foreign markets, inevitably means, therefore, low wages, and the degradation and impoverishment of the masses, or ensures the very results which it is claimed a high tariff policy is certain to avert.

WHY AMERICA'S MANUFACTURERS CANNOT EXPORT THEIR SURPLUS PRODUCTS.

But how happens it, it may be here naturally asked, that American manufacturers are unable to dispose of their surplus products by the exportation and sale of the same in foreign markets. The answer is a simple one, and yet to very many of our people the problem involved seems very difficult of solution. The matter admits, however, of a ready comprehension, if one will only keep in view and reflect upon the following circumstances: *First*, from eighty to ninety per cent. of all our manufactures exist because they must as a condition of our civilization, and because no foreign products of like kinds can be imported. Any one may abundantly satisfy himself of this by analyzing the history or origin of the bulk of the commodities that pass him on the streets of any busy community, or are exposed for sale at the marts of trade. Let him, as a matter of test and curiosity, take a stand on any of the great thoroughfares of any of our large towns and cities, and see for himself how

few of the many articles which pass on the way to domestic consumers can by any possibility be *directly* benefited by a protective tariff. And first in the long procession will come our great agricultural staples, our corn and our wheat, our beef and our pork, our lard and our tallow, our butter and our cheese, our cotton and hay, and the typical American wools, our fresh and canned fruits and vegetables; for we export all these products, and anything which can be exported regularly, and sold in competition in foreign countries with similar foreign products, cannot be directly benefited by tariff legislation. And in the same category must be included an immense variety of the products of other industries—our petroleum, turpentine, and resin; nearly all building materials and constructions of wood, including vessels; our products of gold, silver, and copper; our stoves, tinware, shovels, axes, nearly all agricultural machines and implements, and most articles of common hardware; cheap boots and shoes, and sole leather; coarse cotton fabrics, starch, refined sugar, distilled spirits and alcohol, most fermented liquors, wagons, carts, most carriages, harnesses, railroad cars, sewing machines, all ordinary confectionery, and the cheaper paper and paper hangings, photographs, picture frames, pianos, india rubber goods, toys, watches, guns, fixed ammunition, newspapers, buttons, brooms, gas, clocks, and a great variety of other articles, not one of which, if the tariff was entirely abolished, would be imported to any considerable extent; and most of which, if the tariff was entirely abolished, would be manufactured and exported in vastly larger quantities than at present. *Secondly*, out of our entire manufactures, possibly twenty per cent., but probably not more than ten per cent., reckoning both numbers and quantities, are in a greater or less degree subject to foreign competition.

And *third*, and finally, in the effort to protect this ten to twenty per cent., through the agency of taxation and restrictions on exchanges, the cost of all the products of our entire

industry is enhanced to such an extent that exports only exist in cases where our natural advantages for production are so great as to overcome the increase of cost thus artificially and unnaturally created. But doubtless I will be here met by Mr. Kelley, Warner Miller, and other advocates of high protection, with the remark that all this is mere assumption and one-sided assertion; well enough, so long as the free-traders are doing the talking, but which will not stand a minute after the other side has had their chance to rejoin and expose the sophistry. Let me, therefore, right here, ask your attention to a few facts in the way of evidence in support of my position, which I think the more the high-tariff advocates chew upon, the harder they will find it to digest.

I know of nothing which more conclusively proves the correctness of my proposition, that no community can exist without supplying itself with its own manufactures in the largest measure, than the past and present industrial experience of the Southern States. Slavery was fully consistent with the protective idea—in fact it was the logical outcome of protection. Capital protected labor wholly by owning the laborer, and did indirectly what the system of protection attempts to do directly—that is, it forced the growth of industries in certain grooves. Under this system we had an imperial section of land—endowed with the greatest abundance of varied resources and capable of sustaining home manufactures in endless variety—almost wholly devoted to agricultural pursuits, conducted by intelligent owners, yet under the necessity of the system by the rudest and most wasteful methods; or, as Henry A. Wise once summed it all up: "The niggers skinned the land and the white men skinned the niggers." But now what do you see? This same section is exposed to absolutely unrestrained competition of the long established industries of the North and West; and the South can erect no tariff defenses along its boundaries for protection; and according to our friends the protection-

ists, no profitable occupations could, under the circumstances, be open to its people but those pertaining to agriculture. But what are the facts? While the South for the first time "breads herself," and exports grain, and has doubled her crop of cotton, Southern manufactures are being established everywhere. Cotton manufacture is more profitable at the South than in any other country in the world; and the number of Southern spindles has increased sixty per cent. within the last three years. Iron is being produced under such conditions in Alabama, Tennessee, and West Virginia that foreign competition is impossible, and the furnaces of Pennsylvania are being blown out and abandoned; while wood working in Kentucky, tanning in Tennessee, oil making in Mississippi, Arkansas, and Louisiana, and a thousand lesser Southern industries are in a state of intense activity and progression; and, as an accompaniment, villages are being established where before were only slave cabins, towns are growing where before were only villages, and great cities are amicably contending as to which is the most prosperous. Yet, if there was ever an instance of a people beginning to manufacture under the most discouraging and disheartening circumstances, I know not on what page of the world's experience it is recorded. Eighteen years ago, the close of the war found them with their whole form of society dissolved; their system of laws uprooted; what they regarded as wealth swept away; their credit ruined, and every incipient attempt to manufacture exposed to the sharpest competition of a rich, strong, and skillful section, fully equipped with the best tools and machinery. But under the "healthy stimulus of prospective want," and in vindication of their right to be called Yankees, the Southern people manfully met the situation and grappled with their problem. And to-day it is not they who have anything to fear from the competition of the manufacturing States of the East; but it is rather New England which has cause to tremble, lest being cut off by our

vicious tariff from the commerce of the world, she would also lose her home market, and thus realize what England felt so sorely before Sir Robert Peel inaugurated the free trade movement, "when British protection, instead of fostering home industries, had most effectually destroyed that trade by reducing the entire population to beggary, destitution, and want." And in further illustration of my premises, I hold in my hand for your inspection one of the most ingenious, artistic, and attractive calendars or almanacs for the new year. And where do you imagine it came from? Not from your well established artists and printing works of New York, Boston, and Philadelphia; not from more distant London or Paris; but from Glen Allan in Virginia, if anybody knows where that is (for I do not); and the projectors and manufacturers of these cards were in Boston, New York, Philadelphia, and the cities of the West, seeking orders, and challenging competition, before the local dealers had got ready to contest their own local markets.

Walking down Broadway only a few days ago, I met a gentleman, whom I knew to be a large stockholder and director in one of our largest, oldest, and most successful establishments manufacturing a chemical product, which is in constant and most extensive use, not only in this, but in all other civilized countries. After exchanging salutations, and in response to the usual inquiry, as to what is the news? he told me that he had just come from a meeting of his board of directors, in which the question under discussion was, whether they had not better temporarily close up their works and stop manufacturing; for, he continued, we are certainly, through excessive competition and market supply, making no profit, and are probably incurring a loss on every day that we now keep in operation. But through great unwillingness to discharge their workingmen at the commencement of winter and allow their machinery to stand idle, it was resolved, after discussion, to defer a final decision until the

next monthly meeting, with a hope that in the meantime something better would happen as respects the business outlook. Now I bring up this case, because it is a fair sample of what is occurring at this moment all over the country. There was no very marked falling off in the demand for the article produced. Civilization could not get on without it; and the sales even, aggregate thousands and hundreds of thousands of pounds daily. But more manufactories of it have come into existence in the United States than are necessary to supply any domestic demand for their product; and a tariff of sixty per cent. on the importation of the principal component raw material or constituent used in the manufacture, so enhances the price of this finished article, that not one ounce of it can be sold without loss in any foreign country. Hence our manufactories of this specialty are closing; our business is declining or unprofitable, and our ships are deprived of an important element of freight; while England, which imposes no tax, either on the raw or finished product, supplies the latter in enormous quantities to most other countries, and her ships distribute it.

The next witness I will call will be Howard M. Newhall of Lynn, Massachusetts, whom the *Boot and Shoe Reporter* certifies to be one of the most enterprising and intelligent persons engaged in the shoe manufacture in this country, and thoroughly qualified to speak concerning it. This gentleman testified before a committee of the Legislature of Massachusetts in February last, in respect to the boot and shoe industry of the country, "that no other country knows how or could make shoes as fast and as cheap as the Yankees" — the manufacture being more typically American than any other, and all the ingenious machinery which has revolutionized the lap-stone and the hammer out of existence, having been of Yankee invention. Under such circumstances domestic competition and the capacity of supply, he said, had so increased, that if all our existing factories

were to work full time for six months, their product would suffice to abundantly shoe every man, woman, and child in the country for a period of a full year. It is clear, therefore, that to enable our shoe factories to run continuously and afford employment to their operatives all the year, we need some other than the domestic market for our shoe product. But this we cannot have under the existing tariff, which so enhances the cost of the materials which enter into the make-up of shoes that would sell most largely in foreign markets, that all the benefits resulting from ingenious machinery and skilled workmen are completely neutralized and swept away; and in illustration of this Mr. Newhall analyzed before the committee the components of a pair of shoes fitted to meet the requirements of a warm climate, and for which there is a large demand, and which demand Massachusetts would like to supply, and demonstrated that the cost of the material entering into them was enhanced by tariff taxes to the extent of sixty cents a pair before the work of manufacture even begins. And under such circumstances there can be no export or foreign demand for American shoes, and the American shoemaker, no matter what may be the rate of his wages, has been so effectually protected that he cannot now be positively certain of continuous employment in his avocation for more than a part of the year. And as a further contribution to this department of our tariff information, I would state that Ben Butler, who poses as the special friend of the American workingman, was instrumental more than any other person in imposing a duty on serges and lasting (which form a part of a large class of shoes), greater than is imposed on silks, wines, laces, and diamonds, and all because Ben Butler thought he saw an opportunity under such duties to make money by establishing a domestic manufacture of such materials.

And now my next witness shall be Mr. William Marshall,

the president of the extensive and well-known cordage works of Brooklyn, who informs me that he exports cordage of his manufacture to the Brazil and East Indies and sells it there for the equipment of foreign ships and other purposes, at a less price than the American ship owner and rigger can buy it within a mile of the factory where it is made. The explanation of this curious circumstance is that the cordage is manufactured of imported raw materials (which the country cannot produce), paying heavy duties — which duties less ten per cent. are remitted, when the cordage is exported for foreign use; but are mercilessly exacted when the cordage is consumed at home. We thus discriminate in respect to all these products and services in which cordage enters as a constituent or instrument in favor of foreigners, and to the detriment of our own people.

Again, we formerly imported large quantities of gunny cloth from India to be used for the baling of our cotton. No one a few years ago would have ever dreamed that we could successfully make this cloth in competition with the natives of India, who work for the very lowest wages that are anywhere regularly paid for the services of human beings anywhere on the globe's surface. And yet, through our invention and use of machinery we have done it, and comparatively little of this cloth is now brought to this country; the Indian pauper being nowhere in competition with the American iron spindle and shuttle. But here, again, as in the boot and shoe industry, the facilities for production have caused this business to so far outgrow any requirements for home consumption, that the supply of bagging on hand during the present season has been reported as sufficient to bale a crop of cotton 2,000,000 bales larger than we have ever produced. And yet, such has been the general augmentation of the cost protection, that any relief from an exportation of this surplus has not been found practicable.

REMARKABLE INVESTIGATION OF MASSACHUSETTS INDUSTRIES.

But the most conclusive and unanswerable demonstration of the disastrous and crippling influence of our present tariff policy on the labor and manufacturing interests of this country is to be found in the last report of the *Massachusetts Bureau of Labor Statistics;* which, although constituting a contribution to economic science of surpassing interest, and of such a nature as ought to startle every fair-minded American citizen who has been educated to believe that our present high protective policy really works for the benefit of domestic labor and capital, has thus far, very curiously, almost escaped public attention. In this report a very careful analysis is made of the comparative condition of 2,240 manufacturing establishments in Massachusetts, representing twenty-one different industries and 207,798 employees, for the years 1875 and 1880 respectively; the elements of the analysis being the census returns made to the Federal and State governments respecting capital, laborers, value of stock used and of product, cost of management, profits, etc., in the years specified, which are acknowledged to be as reliable as such returns possibly can be, and as probably superior to any similar statistics ever before collected. The 2,240 establishments also employed fifty-three per cent. of the invested capital, paid fifty-eight per cent. of wages, used fifty-seven per cent. of the stock, and produced fifty-seven per cent. of the entire manufactures of the State.

Premising further that Massachusetts practically produces none of the stock or raw material which its manufactures use, but buys almost everything from beyond her borders, the investigation shows that the stock—metals, fibers, leather, coal, lumber, chemicals, and the like—used in manufacturing in that State in 1880, cost 11.52 per cent. more than it did in 1875; and that the manufacturers, as the report express it, "counterbalance" the result by reducing the

wages of their employees during the period involved to the extent, on an average, of 4.35 per cent., and by submitting to a reduction of their net profit of 7.19 per cent. Now when it is remembered that, the prices of manufacturers' raw materials have notably declined in all foreign competitive countries during the period covered by the Massachusetts analysis; that the wages of foreign competitive labor during the same time have also very generally advanced; and that, apart from possible differences in the wages of labor, Massachusetts industries, in comparison with foreign industries, are not only not subjected to any special disabilities, but on the contrary enjoy many advantages—it seems clear that the extraordinary results under consideration cannot be referred to any other agency than that of our present national fiscal policy, which has pointed out, by excessive taxation and restriction of exchanges inevitably enhanced the cost of all manufactured commodities and their elements. And in view of this Massachusetts experience, of how small importance is the question of the wages and living of the operatives in England, France, and Germany, in comparison with the understanding and the correcting of the influences which are slowly but surely reducing wages and profits in our home industries, restricting their area of development, and consequently the opportunities for the profitable employment of our rapidly increasing population. And as pertinent to this, I would here state that I put the question to one of the most distinguished Germans who participated in the recent excursion over the Northern Pacific railroad, as to whether the recent adoption of the high protective policy in Germany had had the effect, as is claimed, of increasing the wages of the German people. His answer was, that in some departments of manufacturing industry the rates of wages had without doubt been materially advanced; but, he continued, the cost of living—the price of food and of rents, have at the same time ad-

vanced in a greater ratio; the hours of labor have been increased, the employers have become more exacting, there is less of liberty than at any time since 1849; and there never was a time, when the desire of the working classes to quit the fatherland was greater than at present; and in confirmation of this last statement, a reference to the reports of the Treasury will show that the proportion of immigration into the United States is now and for the last few years has been very much greater than even from oppressed Ireland, or from any other country—for the year 1882, 250,000 out of a total of 788,000.

INDUSTRIAL CONDITION OF FOREIGN COUNTRIES.

I am perfectly well aware that the complaint of overproduction, restricted markets and no profits in business, by reason of excessive competition, is at this time general in all commercial countries, and especially in Great Britain, where protection as an element of disturbance is wanting; and that, therefore, the reference I have here made of the existing unsatisfactory state of affairs in the United States to our national fiscal policy may seem to not a few to be unsound both in respect to facts and logic. That there have been great disturbances in the work of production and exchange of most countries in recent years, and taking the world throughout, most notably since 1873, and that these disturbances still continue, is not to be denied. But it is now very well recognized that the explanation of these phenomena is to be mainly found in the wonderful changes which, through invention and discovery, have recently taken place in the world's method of doing its work of production and distribution. And that these changes have been accompanied with immense losses of capital and great disturbances of labor, in which the United States has participated and suffered in common with other countries. That their ultimate outcome, however, is to be good, cannot be doubted;

for, by an economic law which Mr. Atkinson of Boston, more than others, has recognized and formulated, all material progress is effected through the destruction of capital by invention and discovery, and that the rapidity of such destruction is the best indicator of the rapidity of progress. But in the readjustment by nations of their industries to the new circumstances, which is still going on and is yet very far from complete, the "law of the survival of the fittest" is going to as fully assert itself, as it has been proved to do in the organic world; and in this struggle the United States, by reason of possessing, as no other nation does, the conditions for the cheapest production of the great staple commodities of the world's consumption, ought to prove itself the fittest, and dominate in "manufactures" as it now dominates in respect to the production of cotton and food products. Why such a result has not yet been attained; why in the readjustment of industries to the new conditions, the United States suffers disproportionately, or even as much as her chief industrial competitor, Great Britain; and why under the present national fiscal policy, there is little chance for improvement—finds a sufficient explanation and answer in the results of the Massachusetts industrial investigation before referred to, even without taking into account a vast amount of other corresponding and confirmatory evidence. Great Britain moreover is not suffering industrially as is the United States. It is true that in many departments of her industries there is a complaint that trade is extremely dull. But there is no such suspension of great departments of industry in Great Britain as in this country. Her export trade if dull, goes on uninterruptedly all the year. Her immense exportation of manufactured products shows no diminution, but a continued increase. Her ships multiply upon the ocean. The condition of her operatives is steadily improving; and when the managers of the recent Industrial Exposition at Boston, just closed, made applica-

tion to the great English machine works of Manchester to send samples of their machinery for exhibition, with a prospect of thereby increasing their orders, they obtained from all of them substantially this answer: that they had no unsold machinery to sell, and were too busy in supplying positive orders, to spend any time to prepare anything for exposition and prospective sales in the United States.

NO MATERIAL REDUCTIONS OF FEDERAL TAXATION YET EFFECTED.

The most urgent necessity of the hour is, therefore, speedy large reduction of Federal taxation—or as my friend Mr. James S. Moore, the Parsee merchant, has happily expressed it, "no further maintenance of war-taxes in time of peace."

And in making these reductions it seems but the dictates of common sense that those taxes should be first and specially selected for repeal which increase the cost of manufacturing production and of the living of the people, and not those which will cheapen the cost of whisky and tobacco—two articles which in respect to living are regarded as luxuries, if not harmful, and only one of which enters to any extent as an element in other forms of production. Thus far, although pretense is made to the contrary, there has been really no great or reasonable abatement in the burdens of national taxation, especially under the tariff. It was claimed by Mr. Morrill and other prominent protectionists that the effect of the new tariff schedules would reduce the revenues from customs by about $35,000,000, and the average rates of duty *fifteen* or a greater percentage. Four months of the present fiscal year have now elapsed, and the results show that the reductions of the revenues from the customs will not be in excess of fifteen millions, and that the average rates actually assessed and collected on dutiable imports during this period have been 41.95 per cent., or only one and a half per centum less than prevailed in 1882, or before the pretended tariff

reductions of March last were placed upon the statute book. So that the country still enjoys the blessings of a forty per cent. tariff on all dutiable imports, and the surplus revenue of the Treasury for the present fiscal year will probably be not less than a hundred million of dollars, and may considerably exceed this figure.

THE TWO POLICIES IN RESPECT TO THE REDUCTION OF FEDERAL TAXATION AND THEIR PROSPECTIVE RESULTS.

That public sympathy is all but unanimously in favor of further large and speedy reductions of federal taxes cannot be doubted. But at the same time there are serious differences of opinion as to the departments of the revenue in which the taxes should be abated. The representatives of the high protective policy are earnest in their protests against any further abatements of the tariff, and are certain that further reduction of duties would not result in great reductions of wages and the destruction of American industries; and, in order to prevent such legislation, are willing to exempt rum and tobacco from all taxation, to vote for new and largely increased governmental expenditures, and to even keep up high taxes for the purpose of distributing a large annual resultant revenue back again to the people. The question at issue is, however, an eminently practical one; which ought to be discussed and decided from the standpoint of the nation's necessities and experiences, and without any reference to the theories of either protection or free trade. If the decision is in favor of allowing the tariff to remain unchanged, then abundant experience teaches that the nation will have substantially no market for its manufactured product except a home market; that the growth of our industries will be restricted and limited, and that there will be a reduction in the wages of its labor, and no accompanying reduction in the cost of its living. On the other hand, a reduction of the tariff means the inauguration of a new

and grand commercial policy worthy of our industrial strength and resources as a nation. It means free access to a thousand millions of people as our customers, in place of our home population of 56,000,000—which latter number, large as it is absolutely, is altogether too small and insignificant for our present and prospective capacity of supply.

THE PRESENT MOST INJURIOUS EFFECT OF THE HIGH TARIFF.

In discussing the tariff heretofore the opponents of protection have been accustomed to consider the enhancement of prices to the consumers as the greatest evil which this policy entails; and are able to now, more than ever, substantiate their position by pointing on the one hand to the enormous maintenance in prices which followed imposition of a 100 per cent. tariff on the importation of Bessemer steel rails; and the reduction in the price of matches and quinine, which followed the removal of taxes and duties from these articles—from two dollars to seventy-five cents a gross in the one case, and to the extent of about three-eighths in the other; to which might further be added in the way of illustration that while, with a continuance of the protection and taxes in the Bessemer steel rail case, the mills are stopping, and the production has become unprofitable through over-supply and excessive competition, the reduction of taxes and prices in the case of matches and quinine, has been followed by a larger consumption and a more active manufacture than ever. But great and injurious as is this burden of the present high tariff, and I would not underrate it, the tariff works at present a far greater injury in restricting our industrial growth and preventing us from obtaining a market for our surplus production. We are rich, and, as experience has abundantly taught us, can stand a heavy imposition of taxes. But we cannot stand a stagnation and curtailment of business. To understand this proposition more clearly, let us reason about it a little.

The burden or injurious effect of a tax is not to be measured by the ratio which the tax may bear to the gross value of the thing taxed, but by the proportion which the tax bears to the profit which might be made by undertaking a certain production. To practically illustrate this, let us take an example; let us suppose two men, A and B, to start machine shops, each with a capital of $20,000; and that each in his operations expends $20,000 for coal and iron, $40,000 in wages, and $2,000 per annum for transportation to the shops of the raw material. The total costs of the annual product of each shop will be $64,000, and a sale of the product at the net price of $66,000 will yield the owner $2,000, or ten per cent. on his capital, and all will be prosperous. Now, suppose further, that under such conditions A has a tax imposed upon him of three and one-third per cent. on his product—it may be a custom or an internal revenue tax, or an increased rate of railroad freight. This amounts to $2,000 on $64,000 of product; no great burden, you will say: and only requires him to sell his $66,000 for $2,000 additional. But suppose he cannot get this $2,000 additional, and he certainly cannot if the other man, B, is exempt from this three and one-third per cent. tax, and competes with A in the open market. Then this three and one-third per cent. upon product becomes ten per cent. upon the investment, and entirely absorbs all profit, so that the business of A first drags, then stagnates, and is finally abandoned; while his workmen are discharged, the village where his shop may be situated runs down, and railroads, artisans, shop-keepers, and professional men complain of hard times, and in turn decrease their expenditures. B, on the other hand, exempt from the tax, keeps on working, and when hard times come continues his sales and occupation to his workmen by taking five per cent. profit in place of ten, and selling his goods, as he can afford to, at a reduced price. Now one result of the new inventions for annihilating time

and space is, that for purposes of trade and commerce the world has become practically one, and profits at wholesale are limited, and trade turns upon the smallest percentages—a quarter of a cent a yard, a cent a bushel, and a mill a pound—and if a duty is imposed upon any article of foreign product which enters into the processes of domestic industry, and directly or indirectly increases the cost thereof by the measure of these small percentages (and under the tariff we talk of twenty, forty, and even 100 per cent. taxes), then all foreign sales of the products of such industries will be simply impossible. This explanation also explains why the first tentative measures of tariff reform, instituted by Sir Robert Peel in 1842 and 1845, which consisted mainly in the removal of numerous small but obstructive tariff duties, set British manufactures and industries forward by leaps and bounds, even before the greater burden of the corn laws was removed in 1845. And so undeniable and apparent were the benefits flowing from these originally comparatively small measures of British tariff reform that those who in the outset gave an unwilling support to Sir Robert Peel, or openly opposed him, in a few short years became his most earnest supporters, and urgently demanded more. And so, I am convinced, will be the experience of this country, if it now cautiously, tentatively, and intelligently moves on in the work of tariff reductions and reform. For on its face what can be more preposterous and absurd than the assertion that a people can be made prosperous by taxation—that is, by arbitrarily taking something away from them.

As further illustrating the probable beneficial effects of a reduction of the tariff, I cannot forbear giving the personal testimony of two gentlemen who certainly, up to this time, have been regarded as worthy of all credence by the advocates of the policy of high duties.

EFFECT OF THE REDUCTION OF THE TARIFF ON SHIP BUILDING —JOHN ROACH'S OPINION.

It was my pleasant fortune to have a lengthy interview last spring with John Roach—a man for whose enterprise and skill in his profession I entertain the greatest respect. As was to be expected, the tariff in relation to ship building came up for discussion; and John, as usual, dwelt long and earnestly upon the enormous differences in the wages paid in his ship-yards and upon the Clyde—and, as near as I can remember, he figured out his nominal disadvantage in this respect to be about seventy per cent. "But," he continued, "my men work mainly by the piece, and have such an opportunity and incentive in so doing to augment their wages, that they have invented and practice all manner of devices for economizing and perfecting their labor; so much so, that foreign ship builders who visit my yards are astonished at the amount and excellence of the work we are able to turn out in a given time; and we have thus been enabled to so far overcome the difference in wages that I really do not believe the Englishmen have at present more than thirty per cent. the advantage over us in the cost of their labor." "Well, it seems to me, Mr. Roach," I replied, "that in making this admission, you give up your whole case as a protectionist; for the materials which you employ in constructing your own vessels are augmented in price to a greater extent than thirty per cent. by reason of the tariff; and if through a remission of duties you could buy these materials as cheap in Delaware as upon the Clyde, you could still afford to pay your workmen the same wages and bid defiance to all foreign competition." "I really believe we could; I really believe we could," was the instant rejoinder; "for, what these protectionists"—prefacing the word protectionists with an expletive more forcible than polite—"give me with one hand, they more than take away with the other." Whether John Roach would now think it politic to remember this conversa-

tion I do not know; but nevertheless I feel confident that it represents his real sentiments.

THE EFFECT OF THIS REPEAL OF THE DUTIES ON WOOL.

Again, the wool growers of Ohio and some other parts of the country are much disgruntled at the trifling reduction made last winter in the duties on wool, which, by the way, fell mainly on carpet wools, which we never have grown and could not be induced to grow in this country—and a motion will undoubtedly be made early in the coming session to put back this wool tariff to its old figures. Meeting a few days since George William Bond of Boston, the highest authority on wool in this country, the expert relied upon by the Treasury to fix the grades and the prices of wool for the custom's service, and a gentleman who has always had the confidence of the protectionists, I put to him the question, as to what effect a complete abolition of the duties on wool would have on the interests of the American wool growers and woolen manufacturers. He replied that he had recently given to Mr. A. M. Garland of Ohio, late president of the American Wool Growers' Association and a member of the late tariff commission, an answer in writing to substantially the same question; at the same time offering me a copy of the latter, with permission to make such use of it as I might deem expedient. And as Mr. Garland, for obvious reasons, does not seem to have given the public a chance to see this important letter, I do not think I can do better than to here make known the most essential portions of it.

Mr. Bond begins his letter by saying "that high duties on wool are now maintained as a bounty to States which raise comparatively a small part of the clip, for the rest do not require it. The oft-repeated claim that the United States should raise all the wool she consumes is folly. You ask, at what point does any tariff on wool begin to affect the price of the domestic clip?" I should say at that point which

shuts us out from the competition of the world, so that we are restricted in the range of our manufactures. Our fine wools have always been higher, other things being equal, when we were able freely to import the wools of other countries at a low duty, or at no duty at all. When the tariff of 1857 was passed, fine wools became virtually free, so that we went into full, or nearly full, competition with Europe. What was the effect? Wools advanced immediately in the markets of production abroad twenty-five to thirty-three and one-third per cent., so that we got them no cheaper than before, and the prices of domestic wools advanced. Now, this was an advantage to our manufacturers, as it enhanced the cost to the foreign manufacturers, so that ours could well afford to pay the advanced prices. Reduced to gold, the average prices of wool have been lower under the tariff of 1867 than they were under that of 1857, and I believe that, if wools were to be made free to-day, there would be no material decline in the value of our fine American wools. Thus we see that, by exacting a duty which shuts us out from competition in the world's markets, we give our competitors the raw material enough lower to materially lessen the protection afforded by the duty on the manufactured article."

Fickle fashion is so changeable that protection cannot always protect our fine wools:

"The present indications are that goods with finished face will soon again be in fashion. As yet, we have found almost no wools in this country adapted to this manufacture. We shall again be obliged to import, and if the tariff should be too high to allow of that, many of our mills must be closed, for the people will follow the fashion. Should this come, you may look again for a decline in the bulk of the wools of this country. Looking to the general interests of wool growing in this country, I believe—and this from a careful study of the wool manufacture, its successes, its failures, and vicissitudes—that the lower the duties are upon wool, and the

closer to the absolute requirements under the greatest application of skill and energy, is the protective duty upon the manufactures, the greater will be the success of these two great interests.

"You and your friends will not probably agree with me in these views, but they are the results of fifty years' study and experience. Yours very truly,

"GEO. WM. BOND."

THE NECESSITY OF THE HOUR.

The pressing necessity of the hour, therefore, with us, as I again repeat, is a reduction of tariff taxes, with a view and certainty of obtaining thereby an extension of markets for our products, and in default thereof we are certain to be smothered in our own grease. But how shall we secure the extension of markets and thereby continued national development and prosperity? Certainly it will not be through further bounties, subsidies, restrictions, fine-spun legislative contrivances, or appeals to patriotism and the talk of the fathers. All this is only more hair of the same dog that has heretofore afflicted us. Neither do we need more brains—Congress excepted—or courage, or capital, or intelligent laborers, for none of these have ever been lacking in America, when a fair chance offered for their employment. But what we do want is more liberty—liberty for labor and capital alike to buy where and what they want, and sell where and when they please, without the interference of the legislature, or of any interested capitalists who may try to influence legislation; and unless the country can have such a degree of freedom, all other remedies will be useless. But, on the other hand, with production and exchange freed from all artificial burdens and restrictions, save such as an economical administration of the State may find necessary to impose for the sake of revenue; this nation will, I feel assured, speedily attain to such a supremacy in the world's commerce,

and to such a degree of domestic prosperity and abundance as has hardly yet been dreamed of by the most sanguine of our countrymen.

And as showing that intelligent and far-seeing Englishmen foresee that such may be the result if we once fairly abandon our narrow, illiberal, worse than old Chinese policy, and dread our competition in the world's market under such circumstances, I will read to you an extract from a letter addressed to me under date of August last, from one of the leading railroad authorities in Great Britain—the projector, in fact, of the proposed tunnel under the Straits of Dover—to whom I sent some free-trade publications. "I have read," he says, "your two brochures with pleasure. But as an Islander, I have never been an enthusiastic well-wisher for free-trade in the United States. For when you throw overboard the burden of monopoly and walk straight out into the free world of industry unweighted, then 'Bull' must look out. It will be a grand day for you; but after five years, a sad day for 'Bull.' So keep up restrictions as long as you like, say I. Save that one would like—as an old pioneer for commercial freedom in 1833—to see English-speaking people all over the world with one free-trade tariff, if only to show to all nations that all sorts of freedom spoke from that tongue of their forefathers."

CHAPTER XXIV.

VIEWS OF PRESIDENT LINCOLN.*

CLINTON, October 11, 1859.

DR. EDWARD WALLACE:—*My Dear Sir:*—I am here just now, attending court. Yesterday, before I left Springfield, your brother [Dr. Wm. S. Wallace] showed me a letter of yours, in which you kindly mention my name, inquire my tariff views, and suggest the propriety of my writing a letter upon the subject. I was an old Henry-Clay-Tariff Whig. In old times I made more speeches on that subject than on any other. I have not since changed my views. I believe yet if we could have a moderate, carefully-adjusted, protective tariff, so far acquiesced in as not to be a perpetual subject of political strife, squabbles, changes, and uncertainties, it would be better for us. Still, it is my opinion, that just now the revival of that question will not advance the cause itself, or the man who revives it.

I have not thought much on the subject recently; but my general impression is that the necessity of a protective tariff will ere long force its old opponents to take it up; and then its old friends can join in and establish it on a more firm and durable basis. We, the old Whigs, have been entirely beaten out on the tariff question; and we shall not be able to re-establish the policy until the absence of it shall have demonstrated the necessity for it in the minds of men heretofore opposed to it. With this view I should prefer to not now write a public letter upon the subject. I therefore wish this to be considered confidential.

I shall be very glad to receive a letter from you.

Yours truly, A. LINCOLN.

**Lawson's Life of Lincoln.*

CHAPTER XXV.

THE TARIFF.

By Hon. John Randolph Tucker,

Of Virginia, in the House of Representatives, Friday, May 5, 1882.

MR. CHAIRMAN: The subject involved in the discussion upon this bill is of all others now challenging public attention the most important, and one of the most difficult of practical solution. The fiscal action of this Government and of all governments—by which I mean the raising of revenue and its appropriation for the expenses of government—is necessarily unequal in its operation and effects. There is a large class of people who pay more into the Treasury than they ever get back from it; and there is a large class who get more out of the Treasury than they ever put into it.

The effect of this exaction and appropriation is, that there is in every country a tax-consuming class and a tax-paying class. Therefore, it should be the policy of all good governments to confine within the narrowest bounds consistently with the needs of the public service this fiscal action of the Government, because it must necessarily operate unequally in the distribution of benefits and burdens.

But in the character of our own revenue system there is a most unpleasant tendency to irresponsibility for expenditure as well as for taxation. Our whole system of taxation by the Federal Government is indirect in its character; and therefore taxation and expenditures are felt very little by

the people, the consequence of which is that the Government may lavish enormous revenues upon its favorite projects, and the people be all unconscious that they are paying any taxes to meet these expenditures.

Now, how we are to apportion the $300,000,000 of revenue needed for the Government among 50,000,000 of people, making on the average six dollars per capita or thirty dollars to the family of five persons; how we are to adjust this burden upon the people for the necessities of the Government; how to lay our taxes with justice and with the least oppression, so as to bear in due proportion to the ability of each citizen, rich or poor, to pay, is one of the most important and difficult problems of government.

Taxation is a branch of what the law writers call "eminent domain"; that is, the supreme domain which government has over the property of the citizen or over his person, when either is needed for a "public use." Man and his property may be commanded by government for a "public use"; that is, for a purpose which concerns all as members of society, and gives benefit to the party subjected to this power, in common with all others. It must be a public use, as distinguished from a private benefit.

But government cannot take private property, even for a public use, without just compensation. This principle, canonized in Magna Charta six centuries ago, is a part of the fifth amendment of the Constitution of the United States.

Taxation exacts the property of the citizen for public use. It does not, it cannot, give him compensation for this, for that would be to give him back what it had just exacted, which would make nugatory the power of taxation. The just compensation which each citizen thus contributing of his means to the support of government receives is in the equal benefits which he derives in common with all others from the beneficent action of the government for the safety and well being of the whole people.

Now, to take property for public use without just compensation is clearly unconstitutional. To take it for private use, even on just compensation, is as clearly unconstitutional. It assails the manhood of the citizen to take what he has earned for the private use of another. This is tribute exacted for the support of privilege. Take it for a public use, on just compensation, and it is right. But to take it for public use without compensation, or for private use, even on just compensation, is to violate the liberty of the man in his self-use, and his right to hold all he earns against men and government, except for the common benefit of society.

Taxation exacts property for public use without any compensation but the common benefit. Bearing a common burden, the citizen must derive a common benefit. When revenue is needed, it is his contribution to the common fund for a common benefit, but when taxation is laid, except for the revenue needed by the Government, when it takes the property of A to give it to B, when it exacts a tribute from one to bestow a bounty on another, this violates right and justice, this lays burdens on one to create a privilege for another, this is despotism and tyranny; for if when compensation be given it is unconstitutional to take A's property for private purposes, *a fortiori* it is unconstitutional to tax A for B's benefit without compensation. When, therefore, the tax power is exerted to raise revenue for the Government it is just and legitimate, but when it is perverted from the purpose of revenue to the grant of a bounty or special privilege to a man or a class, if done directly it is a robbery; if indirectly, it is a fraud, under forms of law. It is no longer for the use of Government, but a bounty exacted from the citizen to maintain a privileged class. This is despotism and tyranny.

Taxation for revenue only is therefore a fundamental maxim of all true liberty! Taxation perverted from this purpose to the object of so-called protection to any class,

directly or indirectly, is not only illegitimate but a violation of right and justice, and, in my judgment, contrary to the spirit of the Constitution.

Now, I advance another step and affirm that all taxation should be equal. I do not mean that each man should pay the same amount of tax; but it should be equal in this: it should be proportioned to the ability of each citizen to contribute to the common revenue, and by being thus proportioned it will meet that other view which has been taken of taxation by some writers, it will be in proportion to the means of each man, which are protected by the Government.

With a view to considerations which will be presented later in this discussion, I propose now to take a summary notice of the various modes of taxation which might be adopted by this Government.

The first form is direct taxation, which is a tax on the *corpus* of property, or on the income of property, or a tax on the head—a capitation tax; and secondly, indirect taxation.

The indirect tax is a tax on consumption; because, as will be shown hereafter, customs duties, license taxes, and the excise tax, at last fall on the consumer, and therefore these indirect forms of taxation are really taxes on consumption.

Let us look at them for a moment. Suppose we should raise (as the gentleman from Rhode Island has suggested) the $300,000,000 of revenue we need by a capitation tax on 50,000,000 of people; that would be six dollars per head, or thirty dollars for the family of five persons. Now, this tax would be very unequal and unjust, and specially onerous on the poor, but I will show you presently, Mr. Chairman, that there is not a poor laboring man in the country who would not make money by paying such a capitation tax instead of the taxes he pays under this tariff. Thirty dollars per family raised by a capitation tax would be very unequal, because Vanderbilt and Gould would pay no more tax than

the pauper in the street. They would pay by the head and not according to ability.

Now take a tax on the *corpus* of property. That ought to be *ad valorem;* because, if specific then the same tax would be laid on an acre of mountain land as upon an acre in the city of New York. Therefore, it must be *ad valorem* in order to approach equality.

But if *ad valorem*, it would be an unequal tax, because it would tax the scanty furniture of the wretched room of the poor seamstress in the same ratio that you tax the owner of a palace filled with luxuries and plenty.

And besides you would tax the widow with her two mites, which she needs for her living, in the same ratio that you tax the property of the millionaire, which is far in excess of his needs. Besides, you would make the non-income-bearing property pay equally with that which breeds ample income, and, furthermore, you would relieve the ample income of the professional man and others of all tax because they have no tangible property you could reach.

What then? It is best and fairest to lay the tax according to the ability of the tax-payers to pay, because all taxes, you perceive, are at last paid out of the man's income. The fairest tax of all the various forms of taxation, in my judgment, that can be laid on the citizen would be a tax proportioned to incomes, with an exemption of a part to cover the needs of life; because thus you would make the man pay, in proportion to his ability, to meet the exigencies of the Government. And while thus you would not burden non-income bearing property, you would make those contribute to the public Treasury who get an income, although they have no ostensible property. Their income measures ability to pay — and also the benefit which the Government affords to him who earns the income under its protecting care.

I come now to indirect taxation. It is an ingenious device

of government by which the citizen is chloroformed into unconsciousness of the source and cause of the felt burden which he bears. I will venture to say there is hardly one man in ten in the secluded parts of this country who realizes the fact that he pays in some States as much as fourfold more of tax to this Government than he does to the government of the State under which he lives; and therefore it is that there is a temptation — and I beg to call gentlemen's attention to it — on the part of the people to see power go out of the hands of the States into the hands of this Government, because power which requires an appropriation of money is felt by the people of the country less consciously when it is expended by this Government than when it is expended by the State government.

And, in my judgment, one of the most centralizing tendencies of our federative system results from this fact: that the power of this Government is made effective through indirect taxation of which the citizen is unconscious, while the power of the State is exercised by means of direct taxation; and the people, so unconscious of the one and so sensitively conscious of the other, are reluctant for the exercise of power by the States which will require the taxation they see and feel, and more willingly concede that power to the General Government because it is to be exercised through indirect taxation which they do not see and feel.

But the payer of the duty, of the license tax and of the excise knows that he pays no tax which he will not recover back from the consumer; and the consumer forgets or fails to remember that he is repaying the tax or duty already paid to the Government by these middlemen, the amount of which tax or duty is included and concealed in the price of the article which he buys. These are, therefore, taxes on consumption, and were originally invented to drug the people into unconsciousness and thus make the Government irresponsible for taxation and for expenditure. It thus stimu-

lates extravagance and perpetuates heavy taxation; for, from the effect such taxes have on the business, industries, and trade of the country, taxation becomes permanent, for fear a change may disturb these sensitive interests; and this generation is to-day paying taxes to which it never gave its consent through its representatives, but which was entailed upon it by a generation now dead and gone.

CHAPTER XXVI.

FREE TRADE.*

By Hon. John G. Carlisle.

MR. PRESIDENT, and Gentlemen of the Club: I would be cold indeed if I were not profoundly grateful for this very friendly reception. It is so much more than I expected or had any right to expect, that I feel myself wholly unable to express my appreciation of it. I am obliged to you also for the opportunity to say a few words in response to the toast which is announced. Although, of course, it will be impossible under the circumstances to do justice to the subject, and perhaps I shall not confine myself very closely to it. Certainly I shall not attempt to do more than call your attention to one or two of the most conspicuous advantages conferred upon the American people by the Union established in 1789.

THE FORMATION OF THE UNION.

The formation of that Union, peaceable and voluntary, under a Constitution which made such radical changes in the relations previously existing between the several States themselves and between them and the General Government, was undoubtedly one of the greatest political achievements of modern times. It is difficult to say which is the more entitled to our admiration, the statesmanship of the men

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* The banquet of the Free Trade Club in New York, March 15, 1884.

who framed the Constitution, or the patriotism and intelligence of the people of the several States who ratified it and made it for themselves and posterity the supreme law of the land. It is, I think, safe to assert that in no other part of the world could such a fundamental change have been so peaceably made at that time, and perhaps it is equally safe to say that it could not have been made here twenty or thirty years later. Why and how this Union was formed are historical questions which it would be superfluous and, in fact, impossible to discuss upon this occasion. What benefits, what advantages it has yielded or conferred upon us, how its bonds shall be strengthened and the prosperity of all its parts increased and perpetuated, are questions which challenge our attention constantly.

"THE SKELETON OF A GOVERNMENT."

The old confederation possessed no means of sustaining itself. In fact, it was but a skeleton of a government. It had no power to impose taxes or to regulate commerce or to administer justice. It had but one of the essential departments of a real government — the Legislature — and even that was defective and almost impotent. Each State had the right to lay imposts and duties subject only to the condition that they should not interfere with treaties entered into by the United States, in Congress assembled, with foreign kings, princes, or States. There was no limitation whatever upon the power of any State to impose duties upon the products of any other American State brought within its limits for sale or consumption. For the purpose of raising a revenue or for the purpose of encouraging its own domestic manufactures the State of New York had full power to impose any rate of duty it might see fit to establish upon the products of New Jersey, and the State of New Jersey possessed the same power in respect to the products of New York. If the doctrine

of protection is what its friends claim, if its application to infant industries in new States enables them to overcome natural disadvantages and to secure a higher degree of prosperity than would otherwise be attainable, it must be admitted that the arrangement existing under the confederation was a wise one and ought never to have been disturbed.

THE "FATHERS" WERE FREE TRADERS.

But, gentlemen, the framers of the Constitution, the men who founded this federal Union, did not think so. They believed that free trade — absolute free trade between the several States was imperatively demanded by the interests of the people. And accordingly they adopted this provision as a part of the Constitution without a single dissenting vote:

"No State shall, without the consent of Congress, lay any imposts or duties upon imports or exports except what may be absolutely necessary for executing its inspection laws, and the net proceeds of all duties or imposts levied by any State on imports or exports shall be for the use of the Treasury of the United States; and all such laws shall be subject to the revision and control of Congress."

It is true that Mr. George Clymer of Pennsylvania, said in the Convention while this subject was under consideration that "if the States have such different interests that they cannot be left to regulate their own affairs without encountering the interest of other States, it is proof that they are not fit to compose one nation." But he stood substantially alone in his opposition to this provision, and when the vote was taken not a single State was recorded against it.

CONSTITUTIONAL ORIGIN OF FREE TRADE.

Thus free trade was established by the Constitution, not only between the States then existing, but between all the States that might thereafter exist as members of the fede-

ral Union—and I venture to believe, my friends, that the most ardent advocate of the protective system will admit that the wonderful growth and prosperity of this country are attributable to this provision more largely than to any other one thing. With free commercial intercourse between the States our own internal commerce has steadily and rapidly grown until it amounts to thousands of millions of dollars; more than one hundred and twenty thousand miles of railroad have been constructed, over which almost innumerable trains are constantly passing, carrying manufactured and other articles of commerce from State to State, while our great waterways are crowded with steamers and barges and other craft laden with the products of every part of the Union. The markets of New York are free as the markets of Philadelphia to the iron and steel and coal of Pennsylvania; as free as the markets of Savannah or Mobile or Charleston for the cotton and the fruits of the South.

THE RIVAL POLICIES ILLUSTRATED.

What a different picture this country presents from what it would have presented if the policy of restriction and protection had prevailed among the States as it has prevailed for so many years between the United States and foreign nations. Under the liberal policy established by the Constitution our means of internal communication and transportation have increased and are still increasing, while under the restrictive and obstructive policy of Congress our merchant marine, once the source of pride and profit, has almost disappeared from the seas, and unless something can be done to arrest its further decline it will disappear entirely. Free commercial intercourse between the States has increased trade, promoted the development of our resources, fostered agriculture and manufactures, and added untold millions to the wealth of the people; while the protective system maintained by Congressional legislation has, to a large extent at

least, shut us out from the markets of the outside world, limited production substantially to the demands of home consumption, and in many cases actually arrested the development of great industrial interests. Under this system, when any highly protected manufacturing industry has reached a stage of development which enables it to supply the home demand its growth must virtually cease because its products can have access to no other market.

ABUSE OF THE POWER OF TAXATION.

The Constitution not only prohibited the States from laying imposts or duties upon imports or exports, but it expressly delegated to Congress the power to lay and collect taxes, duties, imports, and excises to pay its debts and provide for the common defense and general welfare. This is simply the power to raise revenue for public purposes. It is wholly separate and distinct from the power to regulate commerce between the United States and foreign nations and among the several States and with the various Indian tribes, which is conferred by another clause of the Constitution. The two powers were delegated for entirely different purposes; and it is a monstrous abuse of the power of taxation to use it, not for the purpose of raising revenue, but for the purpose of regulating or prohibiting commerce. It is, if possible, a still greater abuse of that power to employ it for private instead of public purposes.

MR. CARLISLE'S PRECISE ATTITUDE.

Let no one, I pray you, misunderstand me upon this point. The experience of mankind has shown that it is almost, if not quite, impossible to devise any system or scheme of duties upon imports that will not to a greater or less degree either injure or benefit private industrial interests, and I have never hesitated to say that I would rather benefit them than injure them; but what I mean to assert is that when the primary or

principal object of the tax imposed by public authority is to foster a private interest it is not a legitimate use of the power of taxation, but is simply spoliation. Whether what is called protection, direct or incidental, is or is not really beneficial to protect industry is a question about which I imagine there will never be anything like perfect unanimity of opinion. But whatever may be our opinions upon that question, most of us will agree, I think, that there may be conditions under which it might not be wise to make a sudden change, even from a bad policy to a good one.

NEED OF CONSERVATIVE ACTION.

When manufacturing interests have grown up under a high protective system, and in a series of years have adjusted themselves to it, and when those engaged in them have become accustomed to rely upon the bounty of the Government for support, it might be injurious and even disastrous to them to suddenly repeal or greatly reduce the duties. Such a course would seriously alarm many who have employed their capital in these enterprises, and when capital is really alarmed, even though it be without cause, the result, for the time being at least, is the same as if there were really danger. For these reasons, if there were no others, it has always been my opinion that it is the duty of Congress to proceed carefully and conservatively in its legislation on this subject—having due regard at every step to the large interests involved. In other words, I am in favor of a reformation, not a revolution. But, Mr. President, this process of reformation must go on until the power of taxation is used only for proper purposes. There must be no step backward —nor any deviation from correct principle and sound policy. As I have already briefly intimated, this federal union is a commercial as well as a political one. Politically we are free; commercially we are not.

A STRANGE PERVERSION OF PRINCIPLES.

When our ancestors determined to rebel against the British system of government in America one of the principal causes alleged in the Declaration of Independence was that it had cut off their trade with all parts of the world. Is it not strange, my friends, that the Government established over this people by the same men will persist in the maintenance of a policy which must ultimately produce substantially the same result—namely, the cutting off of our trade with all parts of the world? Let us see to it the foundation for such an accusation against the Government of the Union is remarked as speedily as circumstances will admit. Taxation only for the purpose of raising revenue for the public use; commercial regulation in time of peace, only for purposes of protecting and fostering legitimate trade, will strengthen the Union, insure the prosperity of the people, and perpetuate the system of Government under which we live.

For myself, Mr. Chairman, I will cheerfully coöperate with all men and all organizations, by whatever name they may be known, in all proper efforts to bring about this grand result.

CHAPTER XXVII.

FREE TRADE FOR SHIPPING.

By Hon. James G. Blaine, LL.D.

WHEN you build a ship for the commerce of the world, you send it abroad to compete with every other ship in every other country. You are unable by your laws to give her any protection or to prevent the greatest competition from every other nation in the world. When you protect your manufactures at home by laying on a duty upon the same manufacture of other countries, why, sir, you shut out the entire competition of the world. If you levy an internal revenue tax upon our manufactures here, you at the same time raise the tariff duty in order that the internal tax may not depress the home manufacture or give an advantage to the foreign article. You raise the tariff in order that you may shut out foreign competition. . . . .

I say further, Mr. Speaker, that I object entirely to this being considered a bounty to the ship-builder. I object utterly to it. I deny it. I deny that it is a bounty. I say that all the ship-builders ask is to be relieved from these burdens. There is a wide distinction in the logic and statement of the case. You find no protection to these ships. If I build a ship on the banks of the Kennebec, send her to Liverpool, and she meets a ship from the banks of the St. John, or from any other part of the world, now what pro-

tection do your laws give her over the foreign ships? What protection do you give her? Not the slightest in the world.

There is one fact further which gentlemen ignore entirely, and that is the freights of these ships are in many instances more valuable than the cargoes they carry, the immense trade carried in American bottoms from the Chincha Islands, the guano trade, there the freights were uniformily worth more than the cargo itself. To-day the vast amount of freights for the transportation of British coal amounts to more than the cargo. It is on freights that Great Britain is growing rich and drawing to herself the riches of the world. Yet we stand here haggling over the remission of a little bit of duty which is insignificant compared with the millions of freights we might have in our grasp if we gave any fair encouragement to our commerce.

June 17, 1868.

FREE BREAD AND FREE LUMBER.

In the first place, let me say that during the entire war, when we were seeking everything on the earth, and in the skies, and in the waters under the earth, out of which taxation could be wrung, it never entered into the conception of Congress to tax breadstuffs—never. During the most pressing exigencies of the terrible contest in which we were engaged, neither breadstuffs nor lumber ever became the subject of one penny of taxation. It was not because of the influence of the rich grain dealers at Chicago, or Toledo, or Milwaukee. It was because if anything be universal, breadstuffs are universal; for they constitute literally "the staff of life." If you impose on them a tax ever so small in amount it will be made a pretext by the very speculators of whom gentlemen talk for adding an appreciable amount to the cost of a barrel of flour. . . . . Now as to the article of lumber, I again remind the House that there never has

been a tax upon this article. The gentleman from Ohio may talk of this question as he pleases; but I say that wherever the western frontiersman undertakes to make for himself a home, to till the soil, to carry on the business of life, he needs lumber for his cabin; he needs lumber for his fence; he needs lumber for his wagon or cart; he needs lumber for his plow; he needs lumber for almost every purpose in his daily life.

June 10, 1868.

CHAPTER XXVIII.

"SOMETHING ELSE."*

By M. Frederic Bastiat.
Member of the Institute of France.

WHAT is restriction? A partial prohibition. What is prohibition? An absolute restriction. So that what is said of one is true of the other? Yes, comparatively. They bear the same relation to each other that the arc of the circle does to the circle. Then if prohibition is bad, restriction cannot be good? No more than the arc can be straight if the circle is curved.

What is the common name for restriction and prohibition? Protection. What is the definite effect of protection? To require from men *harder labor for the same result.* Why are men so attached to the protective system? Because, since liberty would accomplish the same result *with less labor*, this apparent diminution of labor frightens them. Why do you say *apparent?* Because all labor economized can be devoted to *something else.* What? That cannot and need not be determined. Why? Because, if the total of the comforts of France could be gained with a diminution of one-tenth on the total of its labor, no one could determine what comforts it would procure with the labor remaining at its disposal. One person would prefer to be better clothed, another better fed, another better taught, and another more amused.

Explain the workings and effect of protection. It is not an easy matter. Before taking hold of a complicated in-

* Sophisms of Protection. G. P. Putnam's Sons, N. Y.

stance, it must be studied in the simplest one. Take the simplest you choose. Do you recollect how Robinson Crusoe, having no saw, set to work to make a plank? Yes. He cut down a tree, and then with his axe hewed the trunk on both sides until he got it down to the thickness of a board. And that gave him an abundance of work? Fifteen full days. What did he live on during this time? His provisions. What happened to the axe? It was all blunted. Very good; but there is one thing which, perhaps, you do not know. At the moment that Robinson gave the first blow with his axe, he saw a plank which the waves had cast up on the shore. Oh, the lucky accident! He ran to pick it up? It was his first impluse; but he checked himself, reasoning thus: "If I go after this plank, it will cost me but the labor of carrying it and the time spent in going to and returning from the shore. But if I make a plank with my axe, I shall in the first place obtain work for fifteen days, then I shall wear out my axe, which will give me an opportunity of repairing it, and I shall consume my provisions, which will be a third source of labor, since they must be replaced. Now, *labor is wealth.* It is plain that I will ruin myself if I pick up this stranded board. It is important to protect my *personal labor*, and now that I think of it, I can create myself additional labor by kicking this board back into the sea."

But this reasoning was absurd! Certainly. Nevertheless it is that adopted by every nation which *protects* itself by prohibition. It rejects the plank which is offered it in exchange for a little labor, in order to give itself more labor. It sees a gain even in the labor of the custom-house officer. This answers to the trouble which Robinson took to give back to the waves the present they wished to make him. Consider the nation a collective being, and you will not find an atom of difference between its reasoning and that of Robinson. Did not Robinson see that he could use the time saved in doing *something else?* What "*something else*"?

So long as one has wants and time, one has always *something* to do. I am not bound to specify the labor that he could undertake. I can specify very easily that which he would have avoided. I assert that Robinson, with incredible blindness, confounded labor with its result, the end with the means, and I will prove it to you. It is not necessary. But this is the restrictive or prohibitory system in its simplest form. If it appears absurd to you, thus stated, it is because the two qualities of producer and consumer are here united in the same person.

Let us pass, then, to a more complicated instance. Willingly. Some time after all this, Robinson having met Friday, they united and began to work in common. They hunted for six hours each morning and brought home four hampers of game. They worked in the garden for six hours each afternoon, and obtained four baskets of vegetables. One day a canoe touched at the Island of Despair. A good-looking stranger landed and was allowed to dine with our two hermits. He tasted, and praised the products of the garden, and before taking leave of his hosts, said to them: "Generous Islanders, I dwell in a country much richer in game than this, but where horticulture is unknown. It would be easy for me to bring you every evening four hampers of game if you would give me only two baskets of vegetables."

At these words Robinson and Friday stepped on one side to have a consultation, and the debate which followed is too interesting not to be given *in extenso: Friday*—Friend, what do you think of it? *Robinson*—If we accept, we are ruined. *Friday*—Is that certain? Calculate! *Robinson*—It is all calculated. Hunting, crushed out by competition, will be a lost branch of industry for us. *Friday*—What difference does that make if we have the game? *Robinson*—Theory! It will not be the product of our labor. *Friday*—Yes it will, since we will have to give vegetables to get it. *Robinson*—Then what shall we make? *Friday*—The four

hampers of game cost us six hours' labor. The stranger gives them to us for two baskets of vegetables, which take us but three hours. Thus three hours remain at our disposal. *Robinson* —Say rather that they are taken from our activity. There is our loss. *Labor is wealth*, and if we lose a fourth of our time we are one-fourth poorer. *Friday*—Friend, you make an enormous mistake. The same amount of game and vegetables and three free hours to boot make progress, or there is none in the world. *Robinson* —Mere generalities. What will we do with these three hours? *Friday* —We will do *something else.* *Robinson*—Ah, now I have you. You can specify nothing. It is very easy to say *something else—something else.* *Friday* —We will fish. We will adorn our houses. We will read the Bible. *Robinson* —Utopia! Is it certain that we will do this rather than that? *Friday* —Well, if we have no wants, we will rest. Is rest nothing? *Robinson* —When one rests one dies of hunger.

Friday —Friend, you are in a vicious circle. I speak of a rest which diminishes neither our gains nor our vegetables. You always forget that by means of our commerce with this stranger nine hours of labor will give us as much food as twelve now do. *Robinson* —It is easy to see that you were not reared in Europe. Perhaps you have never read the *Moniteur Industriel?* It would have taught you this: "All time saved is a dear loss. Eating is not the important matter, but working. Nothing which we consume counts if it is not the product of our labor. Do you wish to know whether you are rich? Do not look at your comforts, but at your trouble." This is what the *Moniteur Industriel* would have taught you. I, who am not a theorist, see but the loss of our hunting.

Friday —What a strange perversion of ideas. But— *Robinson* —No *buts.* Besides, there are political reasons for rejecting the interested offers of this perfidious stranger. *Friday*—Political reasons! *Robinson*—Yes. In the first place,

he makes these offers only because they are for his advantage. *Friday*—So much the better, since they are for ours also. *Robinson* — Then by these exchanges we shall become dependent on him. *Friday* —And he on us. We need his game, he our vegetables, and we will live in good friendship. *Robinson*—Fancy! Do you want I should leave you without an answer? *Friday* —Let us see; I am still waiting a good reason. *Robinson* —Supposing that the stranger learns to cultivate a garden, and that his island is more fertile than ours. Do you see the consequences? *Friday* —Yes. Our relations with the stranger will stop. He will take no more vegetables from us, since he can get them at home with less trouble. He will bring us no more game, since we will have nothing to give in exchange, and we will be then just where you want us to be now. *Robinson* —Short-sighted savage! You do not see that after having destroyed our hunting by inundating us with game, he will kill our gardening by overwhelming us with vegetables. *Friday* —But he will do that only so long as we give him *something else*; that is to say, so long as we find *something else* to produce, which will economize our labor. *Robinson* —*Something else—something else!* You always come back to that. You are very vague, friend Friday, there is nothing practical in your views.

The contest lasted a long time, and, as often happens, left each one convinced that he was right. However, Robinson having great influence over Friday, his views prevailed, and when the stranger came for an answer, Robinson said to him: "Stranger, in order that your proposition may be accepted, we must be quite sure of two things: The first is that your island is not richer in game than ours, for we will struggle but with *equal arms* The second is, that you will lose by the bargain. For, as in every exchange there is necessarily a gainer and a loser, we would be cheated if you were not. What have you to say?" "Nothing, nothing," replied the stranger, who burst out laughing, and returned to his canoe.

CHAPTER XXIX.

FREE TRADE.

By Prof. Emile De Laveleye.*

A MERCHANT on being asked by the French statesman, Colbert, what was the best way of favoring commerce, made answer: "Leave it alone;" and this reply of his has become the watchword of the supporters of freedom of trade, or, as it is sometimes called, free exchange. What, in fact, can be more natural than to allow every one to buy and sell where he can do so most advantageously, whether in or out of his own country?

To raise a revenue, a State is still justified in imposing custom dues on the importation of certain foreign goods, though the tax is a bad one; but to establish these duties under the pretext of protecting national industries is an iniquitous measure, fatal to the general interest. By forcing consumers to buy from the protected manufacturers at higher prices than they would elsewhere have to pay, the gross injustice is committed of taxing one class for the benefit of another. It is in this that the system of protection consists. If it be said that the object is to favor labor, and consequently laborers, a double error is committed.

Error the First.—The aim of economics is not to increase but to diminish labor. If I can obtain a yard of cloth from a foreigner by means of one day's work, it is contrary to this aim to force me to spend two. The eagerness to increase

**Elements of Political Economy.* New York, G. P. Putnam's Sons, 1884.

labor without augmenting production has been well called "Sisyphism," for it chains humanity to efforts that lead to no result, just as Sisyphus was compelled to roll to the summit of a hill a stone that always fell back again. The goal we should pursue is the increase of commodities and diminution of toil.

Error the Second.—No service, but an injury, is done to workmen in thrusting them into manufactories by force of law and in spite of nature. Thus in the case of Italy it is a thousand pities that the custom house should have snatched workmen and workwomen from their open air tasks in this lovely country with its genial climate, to chain them in gloomy work-shops for twelve or fourteen hours a day to the monotonous movements of machines.

Free trade by applying to whole peoples the principle of the division of labor, assures them all the benefits it can bestow, and thus greatly increases their welfare. If in a family each member is employed at what he can do best, it is clear that the total product, and consequently the individual shares, will be as great as can be attained. On the contrary, if each is forced by legislative restrictions to devote a part of his time to a labor for which he has no aptitude, each and all will be worse off. Apply this principle to nations, and it is plain that when each country devotes its energies to the tasks which its nature most favors, not only will it bring to the international market the maximum of products obtained with the minimum of toil, but the welfare of humanity at large will be increased in proportion to the increase of the productivity of each country's labor.

A man who, in the wish to be self-sufficing, should constrain himself to manufacture everything he needed, food, clothing, furniture, and books, would plainly be extremely foolish, nor is a nation that imitates him any wiser.

If the soil of my farm is sandy, and so better suited for rye than for wheat, the least laborious way of obtaining

wheat is, not to cultivate it myself, but to ask for it in exchange for my rye of those who have a clay soil. This plain truth demonstrates the absurdity of the system of protection which would oblige me to grow wheat even upon sand.

The upholders of protection make the further objection that foreigners will inundate us with their produce. Such a fear is quite idle, since foreigners will not give us their goods for nothing, but will be willing to take ours in payment. Commerce is always an exchange of produce against produce. So much imported, so much exported. If imports exceed exports, all the better; the foreigner is paying us a tribute, and we shall have more to consume. If exports exceed imports, all the worse, it is now we who are paying a tribute. Here, however, we are touching on the difficult question of the balance of commerce, the discussion of which we defer to a later paragraph.

Protectionists are anxious to sell much and buy little, in order that the foreigner may be forced to pay the excess of his purchases in cash. These aims involve a great contradiction. It is clearly impossible for the different countries in their exchanges with one another always to sell more than they buy.

The principal cause of industrial progress in a country, is, as we have seen, the competition between manufacturers, each of whom strives to improve, and, above all, to cheapen, his fabrics, in order to extend his business. The more widely competition is extended, the greater will be everyone's profit. Do not, therefore, limit it by the frontiers of a state, but extend it from country to country. Monopoly begets sloth, and protection, routine. On the other hand, the manufacturer who is forced to carry everything to perfection in endeavoring to keep his hold of the home market will conquer that of the world.

A railroad uniting two countries facilitates exchanges.

Custom dues on foreign goods impede them. Yet the same men at the same time support two policies, the results of which are thus completely diverse. That Frenchmen and Italians, after spending nearly two millions sterling in boring a tunnel through the Alps, can place their custom-house officers at each end to destroy in a great measure by the dues they exact the usefulness of this marvel of engineering, is an inexplicable contradiction.

To be consistent, a protectionist should demand the destruction of machines, for machines and free trade have as their common result the diminution of the labor necessary to obtain an object. Thanks to machinery I obtain my coal at less expense; thanks to the stranger I again obtain it cheaper; the result is identically the same. If we exclude the foreigner we should also break our machines; and thus increase in both ways the amount of labor requisite to obtain a given quantity of coal.

Capital turns spontaneously to the most lucrative field of employment. Protection diverts it from these to the less lucrative, compensating it for the difference by a tax levied on consumers, by the amount of which tax production is again diminished.

As their last argument protectionists maintain that for objects of the first necessity, such as corn and iron, a country should be independent of foreigners, lest, in case of war, it should find itself without the means of nourishment or defense. There is no example, however, of a people having lacked necessaries in war time, and to-day there is even less cause for fear than formerly. In the first place railways facilitate revictualling; in the second, since the Treaty of Paris, in 1856, the ships of neutrals may continue to transport the goods of belligerents. The complete blockade of a state is thus more impossible than ever; and it is the height of folly to inflict a permanent and certain harm in order to avoid a distant and more than improbable one.

CHAPTER XXX.

TARIFF AND WAGES.*

By F. W. Taussig,

Instructor in Political Economy in Harvard College.

THE general question of free trade and protection has been treated in a previous chapter (Book III, Chapter VI). One argument for protection was not mentioned there, which is much urged by protectionists in the United States — the argument that protection is necessary to maintain the high wages paid in this country. It is said by the advocates of protection that the competition of articles made by ill-paid laborers in Europe would reduce, if free trade were established, the prices of articles made in this country, and that wages must fall correspondingly. Professor Laveleye does not mention this argument, because it is not advanced by protectionists in Europe. On the contrary, in Germany and France high duties are demanded in order to protect the ill-paid laborers of those countries from the competition of the better-paid laborers of England. This fact shows sufficiently that low wages in themselves do not enable a country to compete in another country, and that high wages do not prevent it from competing; otherwise England could not compete on the continent of Europe. The truth of the matter in this country is, that in those branches of industry to which we can most advantageously direct our labor and capital, the laborers produce a large product, and employers

* Supplementary Chapter in *Laveleye's Political Economy.*

can afford to pay them high wages. If in a given branch of industry, these high wages cannot be afforded, this industry is one which it is not advantageous for our country to undertake. Agricultural laborers in the United States are paid much higher wages than such laborers receive in any European country. Yet nobody believes that the wheat and grain produced by the ill-paid laborers of Europe can be imported hither in competition with our own wheat and grain; everybody knows that, on the contrary, we export these products to Europe. The reason is that the United States have great advantages for raising agricultural products; hence high wages are and can be paid to the laborers producing them. The general high rate of wages with us is due fundamentally to the great general productiveness of labor, which, again, is due in part to the energy and efficiency of our laborers, in part to the extended use of machinery, and in a very large part to our great natural resources. It is in no sense due to the protective policy. If in making particular commodities, for instance, silk goods, such high wages cannot be paid to laborers under a system of free trade, it is a proof that it is not worth while for us to make silks. We can get laborers in Europe to make silks for us at the low rates of pay which prevail there. We can employ our own laborers, who are now making silks, in producing other commodities—for instance, grain or cotton goods. In producing the grain or cottons our laborers are advantageously employed; and in exchange for these commodities we can get from the foreign laborers more silks than our domestic laborers can produce at home.

CHAPTER XXXI.

FREE TRADE SHOULD BE THE ULTIMATE END AND AIM OF TARIFF LEGISLATION.*

By Ex-President James A. Garfield.

I STAND now where I have always stood since I have been a member of this House. I take the liberty of quoting, from the *Congressional Globe* of 1866, the following remarks which I then made on the subject of the tariff:

"We have seen that one extreme school of economists would place the price of all manufactured articles in the hands of foreign producers by rendering it impossible for our manufacturers to compete with them; while the other extreme school, by making it impossible for the foreigner to sell his competing wares in our market, would give the people no immediate check upon the prices which our manufacturers might fix for their products. I disagree with both these extremes. I hold that a properly adjusted competition between home and foreign products is the best gauge by which to regulate international trade. Duties should be so high that our manufacturers can fairly compete with the foreign product, but not so high as to enable them to drive out the foreign article, enjoy a monopoly of the trade, and regulate the price as they please. This is my doctrine of protection. If Congress pursues this line of policy steadily, we shall, year by year, approach more nearly to the basis of free trade, because we shall be more nearly able to compete

* U. S. House of Representatives, April 1, 1870.

with other nations on equal terms. I am for a protection which leads to ultimate free trade. I am for that free trade which can only be achieved through a reasonable protection."

Mr. Chairman, examining thus the possibilities of the situation, I believe that the true course for the friends of protection to pursue is to reduce the rates on imports wherever we can justly and safely do so, and, accepting neither of the extreme doctrines urged on this floor, endeavor to establish a stable policy that will commend itself to all patriotic and thoughtful people.

Modern scholarship is on the side of free trade.

CHAPTER XXXII.

TARIFF REFORM.*

By Hon. William R. Morrison.

INFORMATION comes to us from the executive branch of the Government that the people are burdened with unnecessary taxation, and contribute annually large sums to the public Treasury not necessary for public use. The Treasury estimate of annual surplus may be fairly stated at $50,000,000. Of this needless taxation and surplus, with their attendant aggravate evil, we cannot fail to relieve the people without flagrant disregard of public duty. It is not claimed that the bill reported by the committee will afford all the relief demanded by the people's representatives. It is but an advance toward and a promise of more complete revenue reform, to attain which a general revision of the tariff and a more equitable adjustment of rates on its long list of dutiable articles is essential. Such a revision and adjustment was believed to be unattainable at the present session of Congress. A bill was therefore reported, having for its chief purpose the reduction of taxes.

To protectionists any measure is without harmony and without merit which deprives the favorites of any bounty, though such measure but responds to the statement of the fiscal officers of the Government that "the question still presses, What legislation is necessary to relieve the people of unnecessary taxes?" A reduction "alike" or horizontal

* House of Representatives, April 15, 1884.

is not the most logical at best, but none other was practicable. The late revision, after leaving the hands of the manufacturers and their tariff commission, was completed in a conference, of which three leading members were Messrs. Morrill, Kelley, and Sherman, who have made all the tariffs of the past twenty-five years. They are the chief architects of the present system, and it will not be lightly said by the friends of the system that the revision, as it came from such hands, was not consistent and harmonious. They laid some duties as low as ten, others as high as one hundred per cent. and higher. These are to be reduced twenty per cent., or to eight and eighty. Relatively they remain the same; to the people they will be a little lighter.

Gentlemen are disturbed lest revenues will increase under the bill. Professedly they are alarmed at the possibility of taking less of the people's earnings while putting more money in the people's treasury. The enactment of a law that would accomplish this should not be classed among national calamities.

The year 1860 was a time of plenty. The laborer for wages was, at least, as well, and the grower of grain better, paid than they are in this year (1884), and in that year (1860) of bounteous plenty, our importations of foreign goods were less to the person, or in proportion to population than in the years 1880–2.

ABUSES OF THE PRESENT TARIFF.

To the list of articles now imported free of duty, amounting to nearly one-third of all our importations, it is proposed to add salt, coal, wood, and lumber. Salt is already freed from tax for fishermen, also for the exporters of meats, to lessen the cost of food to the people of other countries—not for our own. Coal is untaxed for use on vessels having by law the exclusive right to the coasting trade or engaged

in the foreign carrying trade, a privilege denied to persons engaged in other pursuits. The revenue from wood and lumber imported, and hereafter to be admitted free of duty, has in the ten years last past not much exceeded $10,000,000. The census returns show the domestic wooden products to exceed $500,000,000 per annum. If the average duty of twenty per cent. on the imported woods adds but ten per cent. to the price of that produced here its increased cost to the people has been $500,000,000 in ten years. In these ten years, under the pretence of taxing this article to secure $10,000,000 of revenue, we have compelled the people to pay $500,000,000 in bounty to encourage the destruction of forests and the felling of trees, and in the same time we have given more than 18,000,000 acres of land under the Timber Culture Act as bounty to encourage the planting of other trees and other forests.

In the estimates made by a clerk of experience in the Bureau of Statistics, which actual payments on importations show to be but estimates, though based on official data, the bill would leave, it appears, in the cottons but two articles of cotton yarns, not the finest, dutiable above forty per cent.; in woolens but one — coarse carpet wool, which we do not produce — above sixty per cent., and in iron and steel but few above fifty per cent. These rates have been fixed as the limit, above which on these articles no duty shall be collected. The present rate on the finest cotton is forty per cent., and yet it is an unquestioned fact, as shown by invoices and payments made, that duties exceeding one hundred per cent. (exceeding the first cost), are exacted and paid on cotton goods, the duty upon which is in the estimates referred to, stated to be less than twenty per cent. The same is true of iron and steel in different degrees. In the woolen schedule these abuses are more glaring. In all they result from enormities hidden and concealed, both in classification of articles and rates of duty. The limit of

forty, fifty, and sixty per cent. on the cotton, metal, and woolen schedules is intended to expose and remedy these hidden enormities.

Those really desirous of affording some relief from existing abuses will not fail to find their opportunity in removing taxes yielding $8,000,000 on sugar, as much on cotton and woolen goods, and $14,000,000 on other articles used in every home.

DECEPTIVE CHARACTER OF THE LATE REVISION.

The insufficient, not to say deceptive character of the late revision, the manner of making it, and the circumstances attending its adoption, alike forbid that it should be permanent. When it was being forced upon the country with assumptions and assurances which have not been verified, I warned its authors it would give no contentment to the public mind and no rest from agitation, because it did not afford the relief admitted to be a measure of justice by the commission packed to perpetuate existing abuses. I said then that its authors, in and out of Congress, but deceived themselves if they expected from this measure so much as a temporary settlement. In a speech made in January last at Columbus, Ohio, Delano, a protectionist, long a member of Congress and a member of President Grant's Cabinet, said substantially that of his own personal knowledge the Tariff Commission was secured by the manufacturers, whose salaried agent they caused to be made its president, and, as their agent here, after his and his employers' commission had made its report (his own report), he secured many changes in it, greatly to the advantage of manufacturers. I hardly need say that a revision procured through such agencies and methods is entitled to no respect whatever.

It is correctly said that a tariff too low necessitates change to obtain needed revenue. It is equally true that when too high, as ours now is, change is necessary to avoid a surplus

from imports in which the duty is not prohibitory. The only security from agitation and change, therefore, is to confine the taxing power to its rightful purpose by obtaining revenue limited to the necessities of the Government. When no more revenue is needed by the Government of the people it has attained the limit of its power to tax the people.

Estimates based on the census statistics show that as many as 18,000,000 of our people do some work or are occupied in some business, and that the average earnings of at least 16,000,000 of these do not much exceed three hundred dollars, and is wholly consumed in means of daily subsistence. They, too, are the millions who in shop and field strike the blows of all production. All the accumulation of and boasted additions to our national and individual wealth go to one-tenth of those who earn it, and of these a few appropriate the great mass of the savings of the people, and are enriched by the profits of the labor of other men. Like estimates will show that the few who profit most from the labor of all contribute little under this system of unequal taxation — not more than two per cent. of their savings — while the great mass of the workers, including the dependent poor, pay the bulk of taxes, all of which is subtracted from their too scanty means of comfortable living.

Ours is a very free country of very free men, both very freely taxed. In the same sense that we are free men in a free country, freely taxed, we may be correctly named free traders when we insist that the trade and commerce of the country and the necessities of comfortable living shall be freed from all taxes not essential to the Government for public uses.

The amount required from customs is dependent upon what may be received from internal revenue. The abolition of internal revenue means free and cheaper liquors, but with heavier taxed and higher priced sugar and other

articles essential in every household. I am not called upon to defend the system, which has many abuses. Of the two systems it is the cheaper in administration — immensely cheaper in its results. The spies and informers complained of are common to both. So offensive is the import system that gentle women are required for its execution in part. The repeal of internal revenue means more than additional cost of living and privation to the poor. It means a permanent public debt which few owe and many pay, and which corrupts administration. While we cannot doubt the existence of great wrongs in the execution of internal revenue laws, especially in the South Atlantic States, many of these may be cured. Neither is it because of these abuses of administration that the abolition of the liquor and tobacco taxes is demanded in the States far north and substantially free from these flagrant abuses.

THE GREAT NAME OF JEFFERSON.

Mr. Jefferson has been summoned here as often as four times in a single day and made to bear testimony to the "infernal" character of a tax on whisky. It was Mr. Jefferson who said: "Public debt is a moral canker from which we ought to emancipate posterity." It was Mr. Jefferson who said: "Foreign spirits, wines, teas, coffee, cigars, and salt are articles of as innocent consumption as broadcloth and silks, and ought, like them, to pay but the average, the *ad valorem* duty of other imported comforts. All of them are ingredients in our happiness, and the Government which steps out of the ranks of the ordinary articles of consumption to select and lay under disproportionate burdens a particular one because it is a comfort, pleasing to the taste or necessary to health, and will therefore be brought, is in that particular a tyranny."

It is a little singular that Mr. Jefferson should be so often summoned here to tell us so little when he knew so much.

He was not made to bear witness to the moral canker and corrupting influence of a public debt or to say that all industries are most thriving when left most free to individual enterprise; that taxes on consumption to be just must be uniform; that protection is only justifiable "to foster for a while certain infant manufactures until they are strong enough to stand against foreign rivals, but when evident that they will never be so it is against right to make the other branches of industry support them."

At the last session, while promising to reduce tariff taxes, these new disciples of Jefferson so increased them on manufactures of iron and other metals, including cotton and other machinery, that the planter who exchanged one hundred bales of cotton for any of these manufactures must, on his return, surrender to the Government the foreign proceeds of forty-five for the privilege of selling or using that received in exchange for the other fifty-five bales. All makers of iron products, with their especial representatives, professed reverence for the great name of Jefferson in continuance of this abuse.

THE WAGE QUESTION—THE OHIO PLATFORM.

During more than half of the last ten years wages have been as low or lower than before the adoption of the taxing policy as a pretended means of making wages higher. They are lower still when compared with the use which those who earn wages are compelled to make of them, for they must use them to obtain the means of comfortable living. Counted by what our laborers are able to accomplish and produce in quantities, and especially in values, wages here are but little more in many industries than the wages paid by our chief commercial rivals.

There is but one horizontal reduction for which our opponents are willing to legislate—the reduction of wages—and

this their favorites, with or without regard to legislation, are now executing day by day with cruel regularity.

In the opinion of the minority members of the committee, representing, as they do, the friends of the prevailing policy, the cure for whatever of national ills exist, so far as they result from taxation, is to be found in higher-priced clothing and other articles useful in fields, mines, and homes; for that is what is meant by higher-taxed wool, fence-rods, cotton bands, and tin plates. Some of our friends here would cure the ills of overtaxation with a declaration of purpose, the execution of which they would carefully avoid. And here is the declaration. It is called the Ohio platform:—

"We favor a tariff for revenue limited to the necessities of government, economically administered and so adjusted in its application as to prevent unequal burdens, encourage productive industries at home, afford just compensation to labor, but not to create or foster monopoly."

A tariff for revenue limited to the necessities of the government is demanded by this plan of relief. Is the tariff now so limited? If not, then why refuse to limit it? Who among the representatives of the goodly people of that State who made this declaration believes it is so limited? Who among them believes the pending bill will reduce the revenue below the necessities of the Government? These are questions to which the plain people of the country want an answer. They will demand to know why tariff taxes are not removed in part if they are beyond the revenue limit. Do gentlemen expect to escape responsibility because rates are not rightly adjusted? The adjustment will be the same when reduction is made, but whatever of monopoly belongs to it will be fostered by twenty per cent. less than it now is.

If this platform has an honest meaning it is that the tariff shall be lowered to a revenue basis. And gentlemen but deceive themselves who expect the people will be deceived by a refusal to legislate in accordance with this de-

clared purpose. If the protection policy is to be the continuing policy of the Government it will be and ought to be intrusted to its friend, the Republican party.

THE OLD, OLD STORY.

Every argument in support of the protective policy is based on the assumption that any considerable tariff modification, especially a modification to the revenue basis, will destroy manufacturing industries, compel the abandonment of shops and mills and force those now engaged in them to other employments. This is an old, old story. It was told of manufacturing industries in their infancy, it will be told when protection brings them to decay. Eight years ago I introduced the first bill for free quinine and providing for untaxed alcohol for use in making it. At once it was insisted that quinine making would become a lost art among us if such a bill should pass into a law, and it did not then pass. Later on, when the story of free quinine got among the people, another placed the bill before the House, omitting the free alcohol provision, and the bill became a law, protectionists themselves feeling obliged to vote for it. The great Philadelphia house did not go into decline, but continued its business of quinine making successfully as the second largest quinine establishment in the world. So every legitimate industry would go on with a revenue tariff.

DIFFERENCE IN WAGES.

It is insisted that wages are so much higher here than in the countries seeking our markets that revenue duties will not equalize the difference in the cost of production. Conceding the truth of what is not true, that the foreign rival must pay for the privilege of selling in our markets a sum equal to the difference in wages to enable the home producer to sell with reasonable profit, let us see if revenue rates will compensate for that difference. The census value of manu-

factures for 1880 was $5,369,579,191. The wages paid in making them were $947,953,795. The difference in cost of goods is said to be the difference in the cost of wages. But suppose the difference between the cost here and the cost abroad amounts to all the wages paid there then these manufactures would cost abroad $4,421,625,396. Suppose the average rate of duty which the bill before the House leaves at thirty-three per cent. were reduced to twenty-two per cent. and at that rate this $4,421,625,396 in value of goods was imported, it would cost the importer, at that rate of twenty-two per cent., $972,757,587, which not only makes up for the difference in wages, but exceeds all the wages paid for making all the goods.

If those who claim especial friendship for manufacturing industries will insist on their going into decay and then dying some other apology must be found for their taking off than the removal of unnecessary taxes.

CHAPTER XXXIII.

BUSINESS DEPRESSION AND REVENUE REFORM.

A Letter Addressed by Abram S. Hewitt to the Albany "Argus" Dec. 26, 1883.

New York, December 26, 1883.

DEAR SIR: I am in receipt of your letter in which you say: "The *Argus* is now engaged in an inquiry into the causes and effect of the present depression of the iron industry. It is especially desired to be known what relation this state of thing bears to existing tariff conditions." You ask my opinion in reference to these points.

I answer that the proximate cause of the present depression of the iron industry is to be found in the fact that the capacity for producing iron is in excess of its actual consumption, not only in this country, but in those foreign countries which are large producers of iron and steel. When the supply exceeds the demand prices fall. Establishments which cannot produce at the current prices without loss are compelled to suspend operations, and thus comes the actual depression to which you refer. The ultimate causes of such a state of things are unusually manifold; sometimes they are too obscure to be discovered with certainty. For example: The influence of abundant harvests, or of a failure of crops, upon the general condition of industry is unquestioned. Yet these very causes may produce prosperity in some branches of business while they produce depression in others.

So in regard to the influence of tariff legislation. If duties are suddenly raised at a time when there is a demand for the foreign product, prices will go up and the iron business will be prosperous. If, on the other hand, duties are reduced, so as to admit of a larger supply of the foreign product, the domestic business will be, for the time being, unfavorably affected, and depression will result.

These, however, are only immediate and temporary effects. As a matter of fact, prior to 1878, under the highest tariff ever known in this county, we had a long period of depression in the iron business. But about that time railway enterprises were undertaken on a large scale, producing a sudden demand for more iron and steel than the world was prepared to supply. Prices advanced all over the world, and to these prices was added the very high rate of duty then prevailing upon foreign iron brought into this country. The profits of the domestic business became excessive, and the owners of existing works proceeded to enlarge their capacity to the utmost, in order to gather this harvest of great profits, while new capital was attracted into a field in which the returns were known to be abnormally large. The business being thus overdone, a glut of iron resulted, and the reaction has brought about a state of things even worse than that which existed prior to 1878.

The evil from which we now suffer is, therefore, largely due to the fact that the war tariff imposed higher duties than were needed for protection, thus giving excessive profits to the manufacturers in a period when the profits would have been large enough without such high protective duties. We are suffering from unnatural stimulation, which aggravated the excitement when the public interest required that it should be allayed, and now aggravates the depression by the excessive capacity for production which it engendered. How long this depression will continue no man can predict. But

inasmuch as eras of prosperity and depression succeed each other in cycles, it is certain that sooner or later we shall come again to the period when the demand for iron will exceed the supply. Unless our revenue legislation be meanwhile reformed, we shall then have a repetition of the experience through which we passed since 1878, an experience which shows that excessive profits are, in reality, of no real benefit either to the manufacturers, except in rare instances, or to the country at large, while the evils resulting from them are serious. They are especially injurious to the workingmen of the country, who are the chief sufferers when the inevitable re action to unnatural expansion narrows the field of employ ment for labor.

The lesson to be derived from this experience is that the duties on all kinds of iron should never exceed the lowest possible point which, in time of depression, will protect the domestic market from the flood of foreign iron which otherwise might be poured into its lap. Such rates of duty, provided they are specific, will on the average yield the largest amount of revenue, because when the price rises and the producer no longer needs protection, the consumer, who does need protection, can then supply his wants at a fair price in the foreign market without paying an increased duty, if he cannot get equally fair terms at home.

Moreover, the experience of all commercial nations has shown that moderate specific duties afford the only safeguard against frauds in the revenue, as well from smuggling as from undervaluation in the invoices. The blind adherence to *ad valorem* duties in our existing tariff has only served to throw the importing trade into the hands of foreigners and to drive our reputable American houses from this business.

The reduction of extra-protective duties to a reasonable standard of specific duties is therefore the only practicable means of avoiding an unhealthy expansion of business when

it is active. Extra-protective duties merely result in overproduction, in the general derangement of industry, and in consequent suffering to the workingmen by the loss of employment and the reduction of wages. They must be made to realize that the only fund out of which their wages can be paid is produced by the money which is received for the product of industry. Out of this fund must first be paid the cost of the raw material and the next the remuneration for the capital employed in the work of production. What remains is the amount available for the payment of wages. Hence the cheaper we can get raw materials and capital the more we can pay for the labor engaged in manufactures. High rates of interest and high-priced raw materials mean, therefore, lower wages for labor, while cheap raw materials and cheap capital mean higher wages for labor. The workingmen thus have an interest direct and immediate, in removing the duty from raw materials, as well in the iron business as in every other branch of industry carried on in this country. By raw materials I mean fuel, all food products, all materials to which no process of manufacture has been applied, all metallic ores and all waste products which are fit only to be manufactured.

So far as any relief can be provided by legislation for the existing state of affairs the remedy must be found, first, in freeing raw materials from all duties; and, secondly, in imposing rates of duty on manufactured products not more than sufficient to make good the difference in the amount paid for labor in the production of any given article in this country, as compared with the amount paid for the same labor in other countries with which we compete. For this purpose the incidental protection afforded by revenue duties will, as a rule, be found sufficient when any protection is needed.

I am aware that this last proposition involves the protec-

tive idea to some extent, but to no greater extent than is the logical outgrowth of our past legislation. If we had never had protection we should not be required to pay any attention to the question of rates of labor, which are the result, not of protection, but of other conditions entirely independent of legislation. But the protective system has undoubtedly built up some branches of industry which otherwise might not, in consequence of the higher rate of wages, have existed. Inasmuch as this is their misfortune and not their fault, no sensible legislator would strike these industries down by the sudden abrogation of the protective system. We should, nevertheless, endeavor gradually to reduce its evils to a minimum, until in the progress of time it shall have given way, under natural laws, to a better and sounder condition of affairs.

But in this assurance of inevitable progress there is to be found no justification for the further maintenance of duties which only tend to reduce the wages of labor without conferring benefit on any interest whatever; duties which only impair our ability to sell commodities in the open markets of the world, and hinder the natural and healthy growth of business. All such unnecessary and hurtful obstructions should be removed without delay, and it will be a mockery of duty if Congress should fail to open the way to "freer trade" and wider markets for our products through any fear of consequences to politicians who have not the courage of their convictions, or have no other convictions than the desire for office. The mere politician follows public opinion; the true statesman instructs it. His constant aim should be to make clear to those who depend upon their daily labor for their daily bread the real basis upon which their welfare rests, and then to trust to their intelligence and votes for support. Success on any other condition would be dishonor. Any party which expects to get power by playing the game

of "hide and seek" in politics does not deserve, and will not gain. the confidence of the country.

The only living issue, then, between the two great political parties which divides the country, as I understand it, is this: whether the revenue system shall be reformed, and upon what basis of principle it shall be settled.

The Republican party believes in the doctrine of protection for the sake of protection. It insists that protective duties are constitutional, and are necessary in order to insure to the workingmen a fair remuneration for their labor. It would therefore impose duties as nearly prohibitory as possible on articles produced in this country, and as a policy make free those articles which are not or cannot be produced here.

The Democratic party insists that the Constitution merely provides for the imposition of duties for revenue, and not for protection, except so far as duties so imposed necessarily afford incidental protection; that protective duties cannot and do not favorably affect the general rate of wages; that legislation is powerless to permanently increase the remuneration for labor, although it may seriously impair it; that protection can only divert labor and capital from more profitable into less profitable channels of industry. It recognizes, however, the fact that the protective system has been so long in force and is so intrenched in judicial construction as to make it idle now to raise the constitutional question; that the amount of capital and labor now engaged in the protected industries is too great to admit of any legislation likely to do them any real injury; that the only reform now possible is in the reduction and removal of duties which are no longer needed to insure their continued existence; that these excessive duties are in reality obstructive to their prosperity; that duties on raw materials should be removed, because such duties constitute a practical deduction from the wages

of labor. If the question were an open one the Democratic party would prefer to raise the public revenue by duties imposed upon articles not produced in this country, and trust to natural laws for the development of its industries. But the question is foreclosed by the great extent of the protected industries, replacing dead industries which otherwise would have thriven.

The Democratic party recognizing the necessity, therefore, of reforming the tariff in such a way as not to deprive these industries of the incidental protection afforded by reasonable revenue duties, insists that the protective system shall not be enlarged, and believes that moderate duties producing, on the average of years, a sufficient revenue, are adequate for protection at the only times when protection is needed—that is, in bad times, when our foreign competitors would seek to get rid of their surplus product in our markets, which, considering that an idle population is the greatest social calamity, we must then preserve, in order to give employment to our labor engaged in the protected industries; that at all other periods extra protective duties merely give excessive profits to one class at the expense of other classes, ending in overproduction, stagnation of business, and irregular employment for labor, powerless to protect itself against the errors of legislation and selfish action of capital striving for unreasonable profits. The condition of the business of the country at this time is conclusive proof that the protective system cannot relieve either labor or capital from the consequences of overproduction, which is its legitimate result.

Between the political parties representing these two opposing views the country is soon to make its choice. The Republican party offers no remedy for the policy which has produced the existing paralysis of industry. The Democratic party proposes to open the way to freer markets, fuller trade, and better wages, by abolishing the duties on raw materials

and removing the purely obstructive features of the tariff. If the Democratic House shall frame and pass a judicious measure of revenue reform, carefully adjusted to the actual condition of our suffering industries, and the Republican Senate shall refuse to concur, the issue will be fairly joined. The people can then decide whether the do-nothing party now in power shall be replaced by an administration which will remove the artificial barries to healthy progress. When this is done, and not till then, will the country realize that it is no longer an infant at nurse, but a veritable giant, only requiring "ample room and verge enough" for the free play of its vast energies. Sincerely yours,

ABRAM S. HEWITT.

CHAPTER XXXIV.

THE FARMERS' QUESTION.*

By John L. Hayes, LL.D.,
President of the late Tariff Commission.

FARMING UNDER OUR PROTECTIVE SYSTEM NOT UNPROFITABLE.

LEAVING for a moment the consideration of the "Golden Rule of trading" in its application to farmers, let us consider the assertion of fact that the American farmers pay more and get less than any land-tillers in the world. The fallacy of this statement consists in making nominal prices paid and received, and not actual balances, the tests of successful farming; but, as broadly made, it means nothing more nor less, and is intended to give no other impression than that farming in America yields less net results, or is more unprofitable, than in any other country. This I do not hesitate to declare to be a palpable misstatement. I assert that labor and capital employed in farming in America are more productive—that is, give to those pursuing it a greater capacity for consumption of general commodities—than in any country in the world. This I shall hereafter show is mainly due to our national or protective policy. In no other country, to say nothing of abundant food, is the agricultural population so well clad, so well housed with dwellings so well furnished, and so well supplied with implements of labor, agricultural and mechanical,—in short, provided to such extent and variety with manufactured products of necessity or luxury. The testimony of foreigners visiting this country, and of our own citizens who have traveled abroad, establish this point.

* Extract from Tract in answer to Cobden Club Tract by Mongredien.

AGRICULTURAL IMMIGRATION.

The comparative productiveness of American farming is demonstrated by the agricultural emigration to this country, especially from England, at the present time. The Earl of Derby declares that five millions of British people could emigrate with advantage. Consul-General Badeau says, in a report to our own Department of State, "There can be little doubt that a superior and increasing class of emigrants from the British Isles may be expected to arrive in the United States within the next few years. Men who have hitherto held small farms and tilled them successfully, earning a small but certain livelihood, now, seeing the chances of competency disappearing, are already contemplating emigration in large numbers." 11,646 farmers and agricultural laborers have emigrated to the United States from England in the last seven years, and 31,988 from the United Kingdom in the last nine years.* Mr. Thomas Hughes, a member

*TABLE *showing the number of Farmers and Agricultural Laborers who have emigrated from the United Kingdom to the United States within the last nine years.*

(Prepared by the United States Bureau of Statistics.)

Year ending June 30th.	England.	Ireland.	Scotland.	Wales.	Isle of Man and Channel Islands.	Great Britain, not further specified.	Total for the United Kingdom.
1871	.....	1,286	.....	..	..	2,793	4,079
1872	.....	2,116	.....	..	..	3,042	5,158
1873	2,427	2,862	542	14	..	.....	5,845
1874	2,282	1,537	764	15	3	.....	4,601
1875	1,622	1,050	434	15	..	.....	3,121
1876	1,552	594	223	21	3	.....	2,393
1877	1,329	564	334	12	..	.....	2,239
1878	1,179	685	293	15	..	.....	2,172
1879	1,255	733	375	17	..	.....	2,380
Total, 9 yrs.	11,646	11,427	2,965	109	6	5,835	31,988

of Parliament and doubtless of the Cobden Club, with the Earl of Airlie and others of social distinction, is now visiting this country to establish an agricultural colony in Tennessee, not for common farmers, but to open a field of agricultural enterprise to the younger sons of British noblemen and gentlemen. Thus the class of men to which the members of the Cobden Club belong practically assert that there are no impediments in America to successful farming.

SUCCESSFUL FARMING DUE LESS TO NATURAL ADVANTAGES THAN A WISE POLICY.

It may be said that American farming is successful on account of our superior natural advantages of cheap and fertile land and favorable climate. To this I answer, although I anticipate a more extended argument, that these are advantages only when improved by a wise economical policy. In the sugar and coffee districts of Cuba, where Nature has lavished her richest gifts of soil and climate, there exists, in the opinion of a world-wide traveler, "the most desperate and deplorable poverty on the face of the earth." The power of consumption of manufactured commodities, which so strikingly illustrates the present prosperity of our farmers, have been absolutely coeval with the establishment of the protective policy, which has given them a home market; made consumers out of competitors; saved cost of transportation of articles to be bought or sold; made manufactured products, attainable by exchange of farm products, cheap by domestic competition, and desirable, because fabricated as can only be done at home, in exact conformity to their wants. Soil and climate were just as favorable sixty years ago, when the farmers of this country were deplorably wanting in all the comforts and luxuries of life except those produced on their own farms. I myself remember seeing the wagon-trains of emigrant New England farmers on their weary march to Ohio because there

was no prospect of anything but bare subsistence at home. I remember the time when scarcely a farmer's house in the country was painted, when hardly one farmer in ten had a great coat and none wore underclothing, when even the implements of husbandry were in so little demand or so hardly obtainable that the largest manufacturer of agricultural implements in the country made but ten dozen shovels a week, while his successor now makes two thousand dozen in the same time. This was the time when General Jackson uttered his famous exclamation, "Where has the American farmer a market for his produce?" The older men of our community observe that no change in our social aspect is so remarkable as the improved condition of our agricultural population and their increased consumption of manufactured commodities, — a social change sufficiently illustrated by the simple fact that our city and country populations are now absolutely undistinguishable by their dress. This change I assert, without attempting at present to fully verify my assertion, commenced with the passage of the tariff of 1816, which gave the first impulse to our manufacturers, and was first conspicuously manifest after the tariff of 1824, and its complement, the tariff of 1828,* — the highest we have ever had, with rates of duty averaging forty-one per cent. upon imports subject to duty; while the prosperity of our agricultural population has continued to fall and rise with the ebb and flow of the protective policy, culminating in the long protective period of the last twenty years. If the fact of our agricultural prosperity is demonstrated, as it seems to be beyond all question by the admissions I have cited, what becomes of the assertion that American farmers "pay more and get less than any land-tillers in the world"? This position failing, the keystone falls

* Mr. Clay says of this period, "If the term of seven years were to be selected of the greatest prosperity this people have enjoyed since the establishment of their Constitution, it would be exactly that period of seven years which immediately followed the passage of the tariff of 1824."

from the arch so skillfully builded, and the whole structure of argument topples to the ground. I might here rest my case if experience had not proved the value of accumulated argument, and if it were not instructive to consider other fallacies in this appeal no less unsound and delusive.

THE MAXIM, "BUY CHEAP AND SELL DEAR," CONSIDERED.

A fallacious argument to be successfully met must be encountered in its very premises, and free trade is delusive, because the pure assumptions upon which it rests are incautiously admitted. Such is the assumption that to "buy cheap and sell dear" is the sole criterion of the best economical policy, private and national. I maintain that, of all classes, this rule is most inapplicable to farmers, and especially to those of this country. This doctrine considers men only as purchasers and venders. It is the rule of the mere trader, or rather huckster, who occupies himself solely with the net present profit and loss result in his cash account. It is a rule only for to-day and has no notion of a to-morrow. The farmer is not a mere purchaser and vender; he is eminently a producer; although he properly seeks to make good bargains in the exchange of what he already has, it is infinitely more important for him to put himself in the way of producing more. Every farm is a little State of itself, and has or should have its own national policy, as it were, looking more to the future than the present. To the husbandman the principal object is the improvement of his farm, for it is well-known that nearly all the accumulations of our farmers are represented by their improved land. Ignoring the temporary policy of the trader, he clears forests and grubs up swamps to increase his permanent power of production. To have only in view buying cheap and selling dear would be for him to skin his land, to part with his seed-corn, to sell his hay instead of feeding it to stock, to sap the soil each year of its elements of fertility

without restoring them, to make butter of oleomargarine and sell it as "gilt-edged," to buy *Brummagen* axes, shovels, and hoes, to wear British shoddy-cloth instead of the sound product of his own flocks worked up in his responsible neighbor's mill, — in short, to live for to-day without thought of to-morrow, and to be the grasshopper rather than the ant of the fable. This is not the sentiment of American farmers. The most stable, long-abiding, and patient of all classes, more than any others, in this country at least, they look to their interests in *the long run*. They, as well as our mechanics, for most farmers are both, *will* have the best attainable implements and tools in spite of their first cost; and what prices will they not pay for the best breeding stock, patiently biding their time for the improvement of their flocks and herds? Looking to their interests "in the long run," they rejoice to see manufactories spring up around them, bringing them consumers, helping to pay taxes and support schools, giving employment to their children, increasing the value of their land, and making them partakers of a common prosperity. They take still a broader view. The absolute owners of the country, as Vice-President Wheeler has recently well said, and, aside from the comparatively small area of the cities and villages, the proprietors of all the soil, they have a stake in the national welfare, such as no other classes have, and in fact concern themselves with its interests as no others do. They are our bulwarks against European communism, and we may hope against other no less dangerous forms of foreign propagandism. They constitute the ruling political majorities, at least in the North and West. Conservative, yet wisely progressive, controlling the political power, as they have done by their votes for the last twenty years, including the great crisis in our history, it is they who have eliminated from our institutions the last vestige of feudalism; and it is they who have incorporated into our legis-

lation the principle of the new and benign gospel of political economy which considers "the laws of the production and distribution of wealth," not alone, but in their *relations to human welfare.* The narrow and selfish maxim of mere trade has no place in a political economy like this. How inappropriately, then, is it applied to those who make it subordinate in their private transactions, and sink it wholly in their determination of public duty, because, as "the absolute owners of the country," they are compelled to seek in the development of the nation and the welfare of all its people the first source of their own prosperity?

THE FARMERS' FIRST OBJECT TO SELL DEAR.

It should be observed, moreover, that there are obvious reasons why farmers disregard the "Golden Rule of trade" in their private transactions. To the trader it is equally important that he should buy cheap and sell dear. To the farmer it is comparatively of little importance for him to buy general commodities or manufactured products cheap, provided he gets good prices for his farm products. Obtaining the chief necessaries for subsistence for his land, it is his happy lot to be able to retrench at will, without much inconvenience, his consumption of purchased commodities. He therefore looks mainly to the prices of his own products. Their high prices to him are something more than trading results,—they are a source of personal pride, an indication of the productiveness of his farm, the assurance of future prosperity; hence the good times in which farmers rejoice are not those when goods are cheap but when farm products are high. All that the Cobden Club pretends seriously to offer him in its system is cheap goods. In vain is the net set in sight of any bird. This is a poor lure to one who can see with half an eye that in those cheap foreign goods is involved the loss of what he values above all other things, —a home market for the products of his farm.

OUR FARMERS SEEK AND RECEIVE DIRECT PROTECTION.

I will but glance at the next proposition in the Cobden Club appeal, to follow them in their order, which is that farmers have no direct interest in our protective policy. The statement is thus broadly made: "The Western farmer himself neither receives nor seeks legislative 'protection.' He requires no State subvention." So far from this being true, farmers are protected by what would be regarded in Europe as high duties upon all the important agricultural products, as by a duty of from ten to twenty cents per bushel on all cereals, twenty per cent. on animals, etc., the duties being demanded, it is true, to resist not European but Canadian competition. The vigor with which our farmers resist a reciprocity treaty with Canada, which would involve a partial surrender of these duties, shows how stubbornly they insist upon retaining such protection as they have. Upon all agricultural products in which the foreign competition is more formidable, our protective duties to agriculture attain the highest range, as in rice, sugar, and wool, the protective duty on the latter being higher than upon any manufactured product except those of silk. I need not show how essential this protective duty, although amounting to from three to four millions annually, is to sustain, against the competition of the half civilized growers of the Southern Hemisphere, the most cherished and wide-spread of all our agricultural industries, our sheep husbandry, because the pioneer of agriculture, the most available means of restoring the land and the chief source of cheap animal food. The facts that the wool duties were imposed at the demand of the West, and that the many attempts made in the last ten years have met their chief resistance from the West, are sufficient to refute the assertion that "the Western farmer neither receives nor seeks legislation." It is amusing to hear the Cobden Club teachers proclaim to the Western farmer the enormity of the duties he is compelled to pay on

woolen and worsted goods, asserted to be sixty-six per cent. on the average, when more than half of this duty is the mere equivalent of the duty upon wool imposed for the protection and at the demand of the Western farmer himself. . . . . This theory, as old as the first attack upon our tariff system, has been so often and so completely refuted that nothing but a contempt for American intelligence could have permitted it to be revived at this day. It is a theory so preposterous that it can hardly be answered seriously and is best met by that method of logic which consists in reducing a proposition to an absurdity. Our last British teacher in political economy seems to imagine that the "mare's nest" of monstrous figures which he has found is a new discovery in the unexplored field of American finances. Years ago American theorists of the school of Calhoun, Walker, and Wells, saw in the clouds of their own fancy similar monsters; but happily the people to whom they were pointed out failed to see their huge proportions or to respond with Polonius, "Very like a whale!" Years ago our wiser economists, such as Clay, Phillips, and Elder, showed that those monsters were but clouds and phantasms. The monstrosity of the tax upon consumers was the staple of the stump-speeches against the tariff of 1842. Mr. Clay, in his Raleigh speech of 1844, tells us how the Western farmers pricked the bubble *theory* with the needle *fact* in his day. "My friend," cried a Western demagogue from the stump to a farmer in his audience, "do you know that these tariff monopolists make you pay six cents a yard (the amount of the duty) more than you ought to pay for the shirt on your back?" "I suppose it must be so," replies the farmer, "since you say it, but I can't quite understand how it can be, since I gave for it only five cents and a half a yard!"

Thirty years ago, Judge Phillips, replying to Secretary Walker, showed that if the duty were added to the price of

all articles imported and produced in the country the then existing duty upon corn and other cereals would inflict a tax upon our people, or a dead loss by producing these cereals ourselves instead of importing them from abroad, of $74,000,000. An average duty of twenty-one per cent. upon $470,000,000, the then estimated amount of our manufactures he shows upon the same theory, would inflict a loss of $66,000,000 through producing our own manufactures instead of importing them. He presents these figures to show by their enormity the absurdity of the free-trade theory upon its very face. Our British teacher swells his figures of loss, even to the farmers alone, to the appalling sum of $400,000,000, and does not seem to suspect that the very enormity of his statement makes it ridiculous.

At a later period Dr. Elder, replying to Mr. Wells,—a believer in the reflected effect of duties upon the prices of domestic commodities,—shows that in the year 1867–1868, the average duty on foreign goods competing with American was a small fraction less than forty-eight per cent., while the value of American products in that year was $3,487,000,000. On this sum, he says, according to the theory of free trade, "A forty-eight per cent. increase of cost to consumers must have fallen, and therefore the duties charged upon the foreign import surcharged the prices of their domestic rivals the total sum of $1,473,760,000, or nine and one-half times the amount of the duties secured to the Treasury by the system of raising revenue at the custom house!" These figures are scarcely larger than those given by our British teacher. There is the important difference in the objects of the statements made by the two economists. By one they are made seriously and by the other ironically, as if the bare statement sufficiently exposed its absurdity. We may half suspect that Dr. Elder is responsible for our British friend's delusion. It is not the first time that an American extravaganza has been taken by credulous foreigners for sober fact.

The theory is reduced to its utmost verge of absurdity by a later statement of Judge Kelley in his speech on the Wood tariff bill in May, 1878, who gives the following table of the quantities of certain specified agricultural products raised in the country, the quantities exported and retained for home consumption, the rates of duty on each and the consequent tax imposed upon the people at large for the benefit of the farmers, if it be true that duties are added to the prices not only of imported articles but those of domestic production.

Products.	Number of bushels raised in 1877.	Number of bushels exported.	Balance for home consumption.	Duty per bushel.	Amount of tax imposed on the consumers in the United States, calculated in accordance with the free trade dogma that the duty is added to the price.
Wheat, . . .	360,000,000	57,043,936	302,956,064	$0.20	$60,591,212.80
Barley, . . .	35,600,000	1,186,129	34,413,871	.15	5,162,080.65
Potatoes, . .	146,000,000	529,650	145,470,350	.15	21,820,552.50
Corn, ...	1,340,000,000	73,100,518	1,266,899,482	.10	125,689,948.20
Oats, ...	405,000,000	2,854,128	409,145,872	.10	40,214,587.20
Rye, ...	22,100,000	2,227,000	19,873,000	.10	1,987,300.00
Total, . . .	2,308,700,000	136,941,361	2,171,758,639	. . .	$256,465,681.35

Applying a similar calculation to other agricultural productions,—hay, vegetables, animals, wool, etc.,—the theory would make the tax imposed for the benefit of farmers not less than five hundred million dollars. This is precisely as true, because established by the same reasoning, as that four hundred million dollars are "wrung from" the farmer "to support unprofitable manufactures in the Eastern States."

THE FOREIGNER PAYS THE DUTY.

If it were necessary to seriously combat the position that a duty upon such articles as are produced in the country is a tax upon the consumer to the extent of the duty, I might show that the duty is wholly, or in a great part, paid by the foreign importer, by a diminution of his profits, or what is more generally the case, a reduction of wages and the cost of raw materials, which enter into his products. The very earnestness with which foreigners oppose our duties shows that the duties are obnoxious, because they are heavy drawbacks upon their own profits. British manufacturers, in addressing us, tell us that *our* people pay all the duty. In consulting among themselves, in their chambers of commerce at Bradford and Manchester, they invariably complain of the tax which *they* have to pay for the admission of their goods into foreign countries. The orators in Canada, clamoring for a reciprocity treaty, constantly declare that Canadians have to pay the whole of the duty on the coal, barley, and wool imported into the States; and our experience under the Reciprocity Treaty, when for a time these articles were free, proved conclusively that the remission of the duty which our Government lost inured to the benefit, not of the American consumer, but the foreign producer,—the prices in our markets being no dearer with the duty than when these articles were free.

GOODS CHEAPENED BY PROTECTION.

If it were material for the point I have in view to show the intrinsic or practical cheapness of manufactured commodities to our farmers, in consequence of our home manufactures under the protective system, I might show that the invariable effect of the introduction, through protective duties, of a domestic fabric, has been the immediate reduction of the price of the foreign competing article, and a continually increasing reduction, through domestic competi-

tion, in fact bringing them to the level of cost required by wages of labor and profits of capital in all the branches of business in the country. Cottons, woolens, in their infinite variety, hardware, steel, cast and Bessemer, glass, nails, screws, and machinery are palpable proofs of this proposition. Every farmer past middle age can recall from his own experience the multitudinous articles which have been cheapened and improved by our protected manufactures.

FOREIGN GOODS CHEAP ONLY WHEN NOT IN DEMAND.

If it were necessary to dwell upon the question of cheapness, I might show that the cheapness of foreign commodities ceases the moment there is a demand for them,—as English rails rose from fifty up to eighty dollars a ton when the tariff of 1846 closed our own furnaces and rolling mills, and as, in the last year, English combing wools, in England, rose from ten pence to eighteen pence per pound when the exceptional demand of fifteen million pounds of these wools was made upon England from this country. A temporary cheapness, to be followed by excessive dearness, or a tinter-board movement of prices, is no benefit to consumers. It is too obvious to need argument that our consumers will best secure equable or gradually falling prices by a system which, while not prohibiting importation, preserves domestic competition in full activity.

HIGH WAGES BENEFIT FARMERS.

I do not commend our national protective system to American farmers because it produces manufactured goods as cheaply as they can be made in Europe. As I have said before, the nominal cheapness of these commodities is, to the farmer especially, of little importance, in comparison with other considerations. I freely admit that manufactured commodities cannot be produced in this country as cheaply as in Europe, for the simple reason that, while wages of

labor constitute from one-fourth to three-fourths the cost of nearly all manufactures, we pay, and from the nature of our institutions must continue to pay, for a day's labor from two to four times as much as is paid in Europe. But let the farmers remember that it is these higher wages, although making manufactured products nominally dearer, which create for them the greater part of the consumers of farm products,—the mechanics, artisans, and manufacturing operatives of the country, with their dependents, diverting them also from labor on the land, and converting them from competitors into consumers. It is the higher wages which enable these consumers to pay liberal prices for the agricultural products which constitute at least three-fifths of their expenditure. It is these higher wages which enable the farmer, in his turn, through the better prices received for his products, to obtain the commodities manufactured by these consumers at little cost of transportation, and to obtain them more abundantly and practically more cheaply than they could possibly be obtained from distant countries; for to the farmer those commodities are the cheapest the greatest quantity of which are procurable for the product of a given number of days' labor on his land. The intelligent farmer can readily see that he, of all men, would be least benefited by the cheap foreign manufactured products with which free trade would tempt him; he must see that they mean nothing else than one of two things,—a total abandonment of manufactures in this country—the real object of the Cobden Club—and a total loss of the chief part of his customers; or a lowering to European rates,—a reduction, of at least one half, of all the wages of labor in our mechanical and manufacturing industries, with a diminution to the same extent of the ability of the workers in these industries, to purchase the products of the farm. Three-fifths, at least, of the higher wages of manufacturing labor, created and sustained by our protective system, go into the pockets of

the farmers; and every ton of iron and every yard of cloth produced in this country represents to that extent the products of American farms.

HOW GOODS FALL AND LAND RISES.

Let me conclude this branch of my subject—the illusion of cheap foreign commodities—by recalling a law in social science, first announced and demonstrated by the most illustrious economist of the present century, the late Mr. Carey, whose authority, I trust, will be sufficient for its acceptance without the illustrations which might be given. It is this: In countries in which society advances with perfect freedom for development, as in those defended by protective laws from foreign interference, it is the fixed law that the cost of manufactured commodities tends constantly to decrease, and the value of land, and the costs of the products of the land, to increase. Thus, under the protective system, the farmers of this country, not through the selfish methods of the trader, but consistently with the welfare of the whole community, may attain the ultimatum of free trade, in buying commodities cheap and selling land and land-products dear.

WESTERN MANUFACTURING INTEREST.

I need not tell Western men how enormously manufactures of every form pursued at the East are developed, and with what wonderful vigor and rapidity they are advancing, in their States. We, of the East, know it well enough, and I might say, to our cost, if Western competition had not compelled us, in Mr. Webster's phrase, to find "room higher up." Ohio is declared to be the third manufacturing State in the Union. Chicago threatens to rival Philadelphia. Without specifying other industries, the West makes substantially all her agricultural machinery, and, with the exception of some fabrics of cotton and silk, clothes what would be equal to her whole agricultural population. I have personally col-

lected from the official returns of the census, now in progress, the following comparative tables:—

NUMBER OF WOOLEN MILLS IN EASTERN STATES.

Maine,	64
New Hampshire,	96
Vermont,	52
Massachusetts,	329
Rhode Island,	94
Connecticut,	159
	794

NUMBER OF WOOLEN MILLS IN WESTERN STATES.

Ohio,	208
Indiana,	107
Illinois,	78
Missouri,	71
Wisconsin,	61
Iowa,	65
Minnesota,	11
Colorado,	1
Utah,	10
Washington Territory,	1
Michigan,	43
California,	12
	668

By these tables it will be seen how rapidly the West is trenching upon the East. I do not pretend that the Western mills equal in capacity those of New England, nor that they produce certain classes of fabrics, such as dress goods and carpets, which can be more advantageously made in larger establishments. But each one of these mills is the nucleus for a broader extension. Many a Western two set mill of ten years ago has already quadrupled its capacity. These small

mills of the West are what the germs of most of the large factories of the East were forty or fifty years ago, while the greater part of the Western mills enumerated have grown up within only thirteen years under the fostering influence of the tariff of 1867. It has been observed that the woolen mill is everywhere the pioneer of other manufactures. The erection of a woolen mill of one or two sets in a new State, which seems to people of the older States a trifling affair, is in fact an epoch,—the dawn of manufactures,—which all experience tells us will expand into a widely-diversified industry, with its sure accompaniment, a prosperous and improving agriculture. The table above given does not merely show what the West has now, but what she is sure to have within the lifetime of even middle-aged men,—an industry capable in itself of supplying all the necessary commodities, and most of the luxuries, required by its people.

ILLUSTRATION OF HOME MARKET.

We do not have to go far for an illustration of the advantages of a home market. All the Western States above enumerated are eminently wool-producing States. Take Ohio, with its two hundred and eight woolen mills, distributed in all parts of the State, and its four million sheep. The raw material, wool, composes a little more than one half the cost of the cloth made in these mills. The whole of this cost is paid to the farmer by the mill almost at his door. One-quarter, at least, of the remaining cost of the cloth consists of the wages of labor, and of this, as I have before said, the farmer gets at least three-fifths. Of the last remaining quarter, comprising some cost of raw material, profits, etc., the greater part is usually expended for improvements, making a still further expenditure for labor and the consumption of farm products. Much the largest part of the cost goes to the farmer. He in his turn wants cloth for himself and his family. He gets it by mere exchange at the low-

est price at which it can be made with a fair profit, because of the competition of the other two hundred and eight mills, and through the same competition obtains the highest market-price for his wool.

I have before me an advertisement of one of these Ohio mills with this notice: "The highest market-price paid for wool in goods. All goods warranted free from shoddy and cotton." Here is an exchange made to the utmost possible advantage of both sides. There is no loss in transportation, no loss through middle-men, no possible loss by fraud on either side; for both purchasers know each other, and are permanently accountable one to the other. All the devices of trade known since the time of the Phœnicians could not contrive to make the farmer's cloth so cheap, or his wool so dear, as by the simple exchange I have described. This is what I mean by a home market, and this is what the Cobden Club advises the Ohio farmers to abandon. Although all exchanges in the home market are not so simple as the above, they all involve the same great principle, which is the first aim of a protective policy. Protection would bring. through a home market, the producer and consumer as nearly as possible together, saving the cost of transportation and losses through middle-men. Free trade, on the contrary, aims to separate the producer and consumer as widely as possible, and to saddle both with the cost of transportation and commissions for the benefit of the trader and non-producer.

WITH A HOME MARKET ALL THE PRODUCTS OF THE FARM SALABLE.

It may be said that wool,—and the same applies to wheat, —being an easy transportable article, and of high value, the cost of transportation being added to the price, it will realize as much in the distant as the home market. But wool and wheat are only two of the products of the farm. It is the first principle in agriculture that a mixed husbandry is the

most profitable. There is not only more profit, but there never can be *ruin* by the total loss of the farm crop. The most profitable crops are those which are not transportable, at least to distant countries, such as fruits, garden vegetables, etc. When the farmer can exchange the whole of the products which his land can be made to yield, at rates corresponding with the general price of labor, his farm will be worth four times as much as it would be when only wheat and other cereals can be sold. This he can do when the protective policy plants the village of mechanics, artisans, and factory operatives in his neighborhood. Hence it is that land in the vicinity of a manufacturing population is worth, for agricultural purposes alone, from $100 to $200 an acre; while without these advantages, it is rarely worth, in this country, $40 an acre.

The State of Massachusetts—perhaps the best type of a manufacturing State—well illustrates how manufactures may be conducive to a prosperous agriculture, even upon poor granitic soils. In this State, according to the State census of 1875, the average value of each of the 44,549 farms is $4,100. In the leading manufacturing county,—Middlesex,—the average value of the 116,134⅛ acres of cultivated land outside the cities, is $98.05. The average value of 3,988⅝ acres of market gardens is $283 per acre. The total value of the agricultural products of Massachusetts, in round numbers, is forty millions of dollars. Of this amount the cereals and the wool, the easily transportable products, yield only $1,724,346; over thirty-eight millions of miscellaneous farm products not so transportable being consumed at home, principally by the manufacturing population. The latter fact shows how a manufacturing State ceases to be a rival of the West in the production of cereals, which at present can be more advantageously grown there, while each one of its 1,651,912 people consumes yearly at least one barrel of Western flour.

THE FOREIGN MARKET UNRELIABLE AND INADEQUATE.

The Cobden Club essay says, "The very essence of the American farmers' prosperity depends upon their having large and increasing outlets *abroad* for the large and increasing amount of their produce." The writer of the essay, unsuspectingly, in another connection, gives a conclusive reason why it is not for the farmer's interest to seek for his market abroad. He says, "The more freight the Western farmer has to pay to get his produce delivered in European markets, the smaller the net residue that comes to him, for the European buyer's prices include freight." It is thus admitted that the farmer who sells his wheat in England has first to pay the cost of getting it there. He then and there finds grain competing with his own for sale, which was raised around the Baltic or Black Sea by cultivators who have but a tithe of his burdens to carry, whose product reaches market at a less cost of transportation, and which, accordingly, in average seasons, can be sold at a lower price than his can be afforded at. The exceptional European demand for American wheat for the last three or four years, I need not say, is due purely to the failure of European harvests within that period. There have been four years of failing harvests in England, and in the last year an unprecedented falling off of the crop in France,—ordinarily an enormous producer of wheat. It cannot be doubted that a return of good harvests in the grain countries of Europe would arrest, or greatly diminish, American importations. Even the Cobden Club essay admits that they would be stopped by "average harvests in Europe." It is true that last year the exportation of our wheat reached the extraordinary proportion of 24.76 per cent. of our total production. But can the wheat-grower, who must provide for his crop a year before he sells, rely upon a permanent demand like this? Besides, constant fluctuations in price and constant disturbances in the home market are the penalties which our wheat-

growers must pay for producing for foreign countries. I might fill my pages with figures illustrating these fluctuations, but they would only confuse the reader. I can make my point clearer by quoting the statements of our most eminent agricultural statistician, Mr. Dodge, recently made in a government report. Speaking of our wheat exportation, he says:—

"The proportion of exportation is so large and the range of its fluctuation so great, that serious disturbance in the market often results. It not unfrequently occurs that a moderate yield is accompanied by low prices, and a large crop is marketed at high rates. There is no doubt that the wheat-farmer is at the *mercy of the foreign demand.* If British fields are blighted, there is rejoicing on our prairies over remunerative harvests. If the garners of continental Europe are full, and England's wants at a minimum, there is dissatisfaction at the West, liable to be vented on the currency, the tariff, or the railroads. . . . While subject to greater fluctuations than other crops, from the vicissitudes of the seasons and depredations of insects, the quantity required annually for exportation is still more variable than the amount of the crop; the heaviest foreign demand may occur in a season of low production, and the lightest in a year of abundance, increasing the fluctuation. . . . The wheat-grower is at one time elated with remunerative prices, and at another, depressed by rates which fail to pay the cost of production."

Such are the blessings of producing for a foreign market! Is it true, then, that in such a market, as free-trade essayists assert, with all its caprices, fluctuations, and uncertainties, is to be found "the very essence of the American farmer's prosperity?"

Happily our own home market, imperfectly developed as it still is at the West, yet remains as the main reliance of the Western grain-farmer. Of the peculiarly national product

of our semi-tropical summer climate, our Indian-corn crop, amounting to 1,342,558,000 bushels, only 87,192,110 bushels or 6.49 per cent. are exported, 93.51 per cent. being consumed at home. Every sensible farmer must admit that an increased exportation of corn is by no means desirable, as there is usually more profit in the sale of meat, wool, and other products of corn. He must admit, too, that the loss of soil fertility and the cost of transportation, often far greater than the original value of the grain, will ultimately bring both him and his farm to poverty, while the corn being consumed at home, the soil elements are preserved, and the meat and wool, into which it is converted, have a value which bears transportation. Of our total grain crop, even with the unprecedented exportation of nearly 250,000,000* bushels of wheat, we still retain and use *eight-ninths* of the total volume of production. What proof more conclusive than these simple facts can the farmer demand of the immeasurable superiority of the home market over that promised, but by no means assured, by the advocates of "outlets abroad for American produce?"

HOW TO RAISE PRICES OF FARM EXPORTS.

I would by no means deny broadly the value of a foreign market for our farmers' surplus products; but I would have the exports, instead of being simply raw products of costly transportation, those which embody to the utmost possible degree American labor,—in short, the *manufactured* products of the farm, such as cheese, butter, flour, maizena, bacon, or other "hog products;" and I would have those articles exported at prices fixed by the competition of an active home market, which can only exist where all industry is astir. I have before me a market report of a month or two ago, in one of our city papers, which shows exactly how foreign

*The figures under this head are derived from Mr. Dodge,

prices are governed by the activity of our own industries. It is as follows:—

"The market for hog products continues excited, with a demand ahead of the supply, and prices materially advanced yesterday both at home and abroad. Liverpool quotations, following the lead of Chicago, have been marked up nearly every day for the past week. . . . Early in the season dealers on the other side continued to hold off for lower prices until the English markets were very bare of supplies. They did not count upon the enormous and steadily-increasing consumption of this country, brought about by the business revival and generally-improved condition of our industries. But while European buyers were holding back, prices have continued to advance here, until, compelled by their necessities, they are now coming in for supplies, and readily pay prices 25 per cent. higher than they could have bought for here two or three months ago."

This plain business statement well illustrates how a profitable export is best advanced by the profitable employment of our domestic industries.

EXPORTS NOT DEPENDENT UPON IMPORTS.

The Cobden Club essayist maintains that if our farmers do not take the manufactures of foreigners they will not buy his produce. He says, "How are the farmers to export if the manufacturers will not allow imports?" The proposition that if a nation will not import it cannot export is another of the pure assumptions of free trade which is utterly at variance with established facts. Some of the facts contradicting this assumption are well stated by the able editor* of a leading protective journal, in a reply to Mr. Mongredien's book on Free Trade and English Commerce.

"The United States is a large purchaser of Brazilian coffee and Chinese tea, but neither Brazil nor China buys

* Mr. J. M. Swank of Philadelphia.

from us one-half the value of our purchases from it. We buy from Cuba large quantities of sugar, and the balance of trade between the two countries is many millions every year in favor of Cuba. Great Britain herself has bought breadstuffs and provisions from this country in the last four years in unusually large quantities, and during the first three years of this period our purchases of her products were much less than they had previously been. She fell greatly in our debt and had to pay us hundreds of millions in gold or in our bonds which she returned to us. 'If you want to export much you must import much,' says Mr. Mongredien. This is not true to-day, as we have shown, and it never was true in a general sense. One leading function of gold and silver is to equalize the balances of trade which are constantly requiring the attention of commercial nations. England buys our wheat because she must have it or starve, and we buy the coffee of Brazil, the tea of China, and the sugar of Cuba because these articles are necessary to our comfort. England does not hesitate to buy our wheat because we have until recently refused to buy her iron, nor do we stop to dicker with Brazil and China and Cuba concerning the quantity of our products they shall buy from us."

I might add that in 1878 France took our exports to the value of over 487 million francs (according to French statistics), while we imported in that year a value of but a little over 207 million francs. For a term of ten years previously our imports exceeded our exports fifty-three million francs annually, thus proving that exports had no relation to imports.

This assumption of free trade is devised to show that protective duties check commerce. I barely remark, for this is not the place for a full illustration, that it can be demonstrated that, so far from commerce being checked by protection, the periods of our largest general importations precisely correspond with those of our most protective tariffs; the fact

being that the prosperity induced by protection increases the purchasing power of the people, enabling them to import, not only the raw materials for manufacture, but the peculiar commodities of other countries not produced at home.*

DEPRECIATION OF AMERICAN SKILL.

Although I have now considered all the arguments of the essay under review, directly applicable to the farmers' question, I cannot overlook the imputation upon our national capacity, by no means unequivocally made, in the declaration that the manufactured products of this country are dearer than those abroad on account of the comparative inexpertness of American manufacturers, who are said to be taken from what they "can do well," viz., to dig and to hoe, and are, by means of protection, "set to do only what they can do badly," viz., to spin and to weave. I have before me the published statement of the highest German authority in the textile arts to an American correspondent, in these words: "The greatest part of your own invented machinery is *superior* to the English, German, or French machinery, especially your looms for finer work, your looms for cotton goods, cassimeres, carpets, and heavy work." When it is considered that perfected machinery is the recognized test of manufacturing excellence, we may regard the British depreciation as sufficiently refuted by this impartial tribute to American skill, and may be permitted to omit the enumeration of the hundreds of instances which might be cited of American inventions which have contributed to the boasted cheapness and excellence of the goods turned out by British mills.

* The above article is highly commended to the farmers of America by Hon. Henry L. Dawes and Hon. George F. Hoar.

CHAPTER XXXV.

THE INTERESTS OF THE FARMER INDEFINITELY POSTPONED.

By Prof. John Bascom,
President of Wisconsin State University.

FARMERS may well claim, and claim with more emphasis than any other class, that protective duties should be rapidly and finally removed. Farmers are one-half the community; the direct benefits of protection lie almost wholly with the other half.

It follows, then, that the burdens of protection fall chiefly on farmers.

The one grand promise of the theory of protection, that with which it fills the mouths of its friends, and assails the ears of its enemies, that on which all its justness as a theory turns is, that if the burdens of protection are quietly borne for a limited period, they will, at its expiration, be withdrawn, and will be replaced by free trade, diversified industry, and general prosperity.

The success of protection must be found in its fulfillment of this promise. I am not disposed to deny that the promise may be made in good faith, and, under favorable circumstances, if fulfilled in good faith, may be followed, at least in part, by the results indicated.

This portion of the problem it is no longer necessary for us to consider. We have accepted the theory; liberal protection has been granted for many years to many industries.

We are a great productive people, — hardly any greater. Personal energy and natural advantages have wrought marvels in our behalf. Capital has accumulated with us in large amounts, even when we compare ourselves with the nations of the Old World.

Our material resources are unbounded. Skill has been acquired and enterprise called out. The various industries sustain each other through the entire circle of production. Our home labor has guaranteed to it forever the natural protection of a broad ocean.

Now, having borne protective duties for a long period, has not the time come in which that early and ever renewed promise should be fulfilled?

More than one generation has passed away while the hope of cheap goods has been deferred; how many are to follow in its steps still waiting on these renewed assurances to be met somewhere in the future?

Is all time to be given to this theory to evolve itself in? We may well insist that the place and date of settlement should now be named; that we should no longer be put off with the gains of our own labor and the incidents of our own civilization as if they were the returns of this special theory. It looks as if there were profound justness in the objection to protection, that its promises are not to be trusted, that it adds reason to reason for indefinite postponement, that its resources of excuse and apology are inexhaustible, that it has never been known to say enough. We have to deal with the horseleech's daughters, crying, — Give! give!

CHAPTER XXXVI.

THE GROUND OF PROTECTION CHANGED.

By Horace White.

RAW MATERIALS.

THE curious disputation which has taken place in the Committee of Ways and Means lately, and which is not yet ended, discloses one fact with remarkable clearness — that the grounds upon which protection is defended and supported are no longer what they formerly were, but have been radically and wholly changed. In the time when Henry Clay was the champion of what he called the "American system," and at the earlier time when Hamilton favored some slight advantages in the tariff for the benefit of home manufactures, the reason assigned for such a policy was that our manufacturers required a chance to get started. The perils attending our "infant industries" were held up as the justifying motive for a system of taxation which it was admitted, laid more or less burden upon the whole community. It was intended that this burden should be sufficient merely to put the new and untried and struggling industries fairly on their legs, and that they should then enter into competition with similar industries abroad and with other industries at home on equal terms. The moving cause for protection was found in the greater skill, experience, and capital employed in foreign countries, which it was hoped to counteract by a protecting duty for a limited period. In the whole course of the tariff debate in Congress

down to the close of the civil war, it would be difficult to find a single suggestion that a protecting duty is a good thing in itself, apart from its supposed tendency to naturalize and establish some industry to which the resources of the country are so evidently adapted that it might within a reasonable time maintain itself without legislative aid.

Now, however, protection is defended on the ground that it is a good thing and a right thing *per se*. We hear little or nothing about infant industries. It is a long time since we have seen that designation applied, except in the way of derision, to any American trade. The infant industries of Henry Clay's time are full-grown if not decrepit. We are capable of turning out as many tons of pig iron and of steel rails in a year as Great Britain. The period of infancy is long past and the period of decay has begun in some quarters where this industry was once flourishing and dominant. It needs no prophet's vision to see that the supremacy of Pennsylvania in the production of pig iron will very soon pass away, and that in order to keep her furnaces in blast she will need protection against Tennessee, Kentucky, and Alabama, more than she ever needed it against England.

But this is not all the change that has come over the spirit of protection. We have not merely dropped the argument founded upon infancy, inexperience, and deficiency of capital, but we have taken up the advanced position that one trade has as good claim to protection as another, irrespective of infancy, want of training, or want of capital. The producer of iron ore, requiring nothing but common labor, which any Italian immigrant will perform at a dollar and twenty-five cents per day, must be protected to the same degree as the manufacturer of plate glass or the producer of the highest class of woven fabrics. The doctrine of equal rights has surmounted and stifled all the old-time ideas regarding protection. The tariff must be applied now not because a particular industry needs to be set agoing,

but because it is already going and has been going a hundred years. More than this — the favors of the tariff must be awarded to the industry peculiar to one locality or region, because it has been given to those of another locality or region, even though the former (as in the case of copper) may have given indisputable proof of its ability to defy foreign competition by underselling foreigners in foreign markets.

This is not all the change that has come to pass. The early arguments for protection, founded exclusively upon the idea of encouraging manufactures, have so far succumbed to the doctrine of equal rights that duties are now imposed which expressly cripple and discourage manufactures, and we hear the most appalling threats of vengeance to be visited upon this or that political party if the duty on raw wool, for instance, is lowered or if the former high duty is not speedily reënacted. The anaconda of protection has wrapped itself around the woolen and worsted manufacturers till they can scarcely breathe. The producers of iron ore actually got an increase of duty last year in a bill intended to reduce the general tariff. The Morrison bill now pending seeks, among other things, to bring the tariff back to its ancient moorings by placing on the free list most of the raw materials of manufacturing industry. If the champion of the "American system" were alive he would be filled with astonishment that anybody should oppose a measure so obviously calculated to promote the interests which he desired to build up. He would not be able to understand how the principles which he advocated could ever be distorted to the protection of shepherds and spade laborers, to the detriment of weavers and puddlers. He would probably be classed by the protectionists of the present day with the emissaries of the Cobden Club.

Let us not blame the iron and coal and copper miners, and wool growers, and lumber-men too severely. They dis-

covered long ago that the tariff is a game of grab. They have simply grabbed what they could in competition with others. They are under no delusions respecting infant industries and American systems, or other mildewed and moss-grown catch-words of a past generation. They have no higher reverence for the arts of spinning and smelting than for those of shearing, and quarrying, and wood-chopping. They know a dollar when they see it. They find it more confortable to have the dollar in their own pockets than to muse over it in some other man's. Fine phrases regarding the state of general beatitude which results from multiplying spindles and forges at their expense are in their eyes such frightful rubbish that they would knock the whole tariff system into kindling wood without a moment's hesitation, if the doctrines of Henry Clay were revived, and put in force by taking the duties off the raw materials of manufactures. Their contention is that we have as many spindles and forges as can be profitably employed now; at all events, that the reasons for framing a tariff with a view to increasing the number of them no longer exist, and hence that a reduction of the duties on raw materials means simply a diversion of their earnings to other people's tills. There is a good deal of force in this view. Nevertheless it is important that the bill should be pushed to a general debate in Congress and the country in order that the people may understand how great a change has taken place, in the grounds upon which protection is defended, during the past twenty years. If the country after a full discussion is ready to sanction the policy of taxing itself in order to give profitable employment to common laborers rolling logs in the forests or digging in ore beds and coal mines—newly arrived perhaps from Italy, Belgium, or Hungary,—so let it be. But let us have the discussion at all events.

CHAPTER XXXVII.

PROTECTION DOGMAS.*

By Hon. Wm. M. Springer.

I HAVE been somewhat amused, at times, at the arguments used by gentlemen on the other side, the advocates of the protective system, in order to sustain their theories. From these arguments I have heard enunciated as among the great principles of protection the following propositions: *First.* That it is the duty of the Government to protect American laborers from competition with the "pauper labor" of Europe by the imposition of duties on articles manufactured abroad which will compensate for the difference in the price of labor in this country and Europe. This is called "filling the gap" between the wages of home and foreign labor.

Second. That the amount of duty required in order to "fill the gap" must be such as will cause the price of articles manufactured at home to be increased to the amount of the duty on the imported article of like character.

Third. That the imposition of import duties does not increase the cost of imported articles; that the foreign manufacturer pays the duty for the privilege of selling his goods in this country.

Fourth. That the imposition of duties on imported articles will have the effect to reduce the cost of like articles manufactured in this country.

*March 3, 1883, House of Representatives.

All the advocates of the protective system in this House have either asserted this doctrine or have acquiesced in the assertion of it by others. It is claimed that protection has cheapened prices of iron and steel and articles made from them; that it has cheapened the price of wool and the manufactures of wool and cotton and of all of the protected articles. From these fundamental "principles" the following deductions may be drawn:

First. Protection increases prices of articles manufactured in this country.

Second. Protection decreases the prices of articles manufactured in this country.

Third. Protection is absolutely necessary in order to "fill the gap" between the wages of home and foreign labor.

Fourth. Protection reduces the prices of home productions and thus widens "the gap" which it was intended to close.

Fifth. Protection both closes and widens "the gap."

Sixth. Protection protects our home labor against the "pauper labor" of Europe.

Seventh. Protection reduces the prices of home labor below the prices paid for "pauper labor" of Europe.

Mr. Speaker, "these great principles of protection," and the logical deductions therefrom, prove the fallacy of the protective system and confound and overwhelm its advocates. No arguments that the advocates of revenue reform can produce so completely answer protection fallacies as do protection arguments themselves. Place their arguments in juxtaposition and their fallacies at once appear. I leave the protective system where its advocates have placed it. Its fundamental "principles" are like certain chemicals; kept separate they are harmless, mixed together they explode.

CHAPTER XXXVIII.

PROTECTION REDUCES PRICES.*

By Professor Robert E. Thompson, M.A.,

Professor of Social Science in the University of Pennsylvania.

THE object and the effect of protective duties, then, is to enable the home producer to furnish the manufactured goods more plentifully and cheaper than before the duty was imposed. "Though it were true," says Alexander Hamilton, "that the immediate and certain effect of regulations controlling the competition of foreign with domestic fabrics was an increase of price, it is universally true that the contrary is the ultimate effect of every successful manufacture. When a domestic manufacture has attained to perfection, and has engaged in the prosecution of it a competent number of persons, it invariably becomes cheaper. Being free from the heavy charges which attend the importation of foreign commodities, it can be afforded cheaper, and accordingly seldom or never fails to be afforded cheaper in process of time than was the foreign article for which it is the substitute. The internal competition which takes place soon does away everything like monopoly, and by degrees reduces the price of the article to the minimum of a reasonable profit on the capital employed."

So well ascertained and so necessary is this result as regards the profits of manufacture that Professor Thorold

* *Political Economy.* Phila., Porter & Coates.

Rogers alleges it as a reason against protection. "Unless the State were to go so far as to grant a monopoly of production to one or a few individuals whom it protects, it could not prevent the operation of that economic law which reduces profits, other things being equal, to an equality. Manufacturers crowd into the protected occupation, and the benefit intended to be secured by the policy of the government is distributed and annihilated by competition." Mr. Rogers does not seem to be aware that this is the very "benefit intended to be secured." But we have his word as to how that policy does and must work,—above all that it involves no monopoly.

"Competition being always free," says McCulloch, "among home producers, the exclusion of any particular species of foreign manufactured goods cannot elevate the profits of those who produce similar articles at home above the common level, and merely attracts as much additional capital to that particular business as may be required to furnish an adequate supply of goods."

Neither of these two authors, it will be perceived, concedes that prices are brought down by protection to the foreign rate; but they both show that the foolish clamor as to the excessive profits of the protected manufacturer has nothing to go upon. Mr. D. A. Wells flatly contradicts his English teachers when he says: "It not unfrequently happens that the imposition of a tax in the form of a tariff on an imported article is made the occasion for very greatly and unnecessarily advancing the price of a corresponding domestic product."

What are the reasons for this final reduction in price? It is because the obstacles to cheap production have been overcome, and the home producers are competing for the home market. These obstacles are manifold. (1.) The lack of security deters the manufacturer from putting his capital into a large undertaking. He has to make great outlays,

great sacrifices even, but he has no security that he will ever reap the fruits, unless the home market is secured to him. He fears the foreign competition more than that of his competitors at home, because the latter stand on an equality of power and capacity with him, while the former are able and ready to make large sacrifices simply to drive him out of the market and secure it to themselves. It is not a matter as to which we are left in any doubt that artificial fluctuations are produced for this purpose. "It has already been shown," says Coleridge in 1834, "in evidence which is before all the world, that some of our manufacturers have acted upon the accursed principle of deliberately injuring foreign manufacturers, if they can." "Experience," says Blanqui, one of the free trade economists of France, "has already taught us that a people ought never to deliver over to the chances of foreign trade the fate of its manufactures."

A report presented to the British Parliament in 1864 by a commission appointed to investigate the state of industry in the mining districts, says:—

"The laboring classes generally in the manufacturing districts of this country, and especially in the iron and coal districts, are very little aware of the extent to which they are often indebted for being employed at all to the immense losses which their employers voluntarily incur in bad times in order to destroy foreign competition, and to gain and keep possession of foreign markets. Authentic instances are well known of employers having, in such times, carried on their works at a loss amounting in the aggregate to £300,000 or £400,000 in the course of three or four years.

"If the efforts of those who encourage the combinations to restrict the amount of labor and to produce strikes were to be successful for any length of time, the great accumulations of capital could no longer be made which enable a few of the most wealthy capitalists to overwhelm all foreign competition in times of great depression, and thus to clear

the way for the whole trade to step in when prices revive, and to carry on a great business before foreign capital can again accumulate to such an extent as to be able to establish a competition in prices with any chance of success.

"The great capitals of this country are the great instruments of warfare against the competing capital of foreign countries, and are the most essential instruments now remaining by which our manufacturing supremacy can be maintained; the other elements—cheap labor, abundance of raw materials, means of communication, and skilled labor—being rapidly in process of being equalized."

CHAPTER XXXIX.

DOES PROTECTION RAISE PRICES?

By Prof. A. L. Perry.

SOME protectionists make bold to deny that protective tariff-taxes raise the prices of corresponding domestic goods. But this cannot be logically denied; it can not even be decently denied, when the light of the following propositions is cast upon it:

1. It is the sole *design and end* of these protective tariff-taxes to lift the level of the prices of home-manufactured goods above the level that prevails in other countries for corresponding goods; that is the whole theory and purpose of a protective tariff. The men who get these taxes actually put on, and it is a simple historical truth that no protective tariff-tax was ever put on in this country except at the instance and under the pressure of men directly interested in such rise of price; these men know what they are about, and why they are about it; and it is a safe step to take to conclude that what such men shrewdly design to bring about is actually accomplished by their device.

2. It has been constantly avowed by protectionists in the tariff debates in Congress—and never more loudly than last February—that these home-made goods *could not be made and sold here* for the prices at which foreigners sell them. The mere proposal to take off the protective tax angers the protectionists beyond measure, because, as they themselves say, domestic prices would then fall at once to the foreign level.

Where does the "protection" come in if the tariff-tax do not raise the price of home-made ware? What is the *motive* for putting such a tax on? Why did the Onondaga Salt Company sell salt in Canada cheaper than in Syracuse itself? and why have the copper companies of Michigan sold copper this very year to foreigners for less than any American citizen could buy it of them at wholesale?

3. Foreign manufacturers are controlling, in spite of protective tariff-taxes, our own home market more and more year by year. How can they actually pay these import duties at our custom-houses, and still sell and undersell in our domestic markets, unless the range of our home prices of manufactures is artificially and abnormally high? Our tariff-taxes are designed to make and do make prices so high in our markets, so high above their level in other countries, that foreigners, after adding the taxes at each custom-house to the price of their wares, can still undersell our own manufacturers at our very doors. Glassware, for example, is very highly "protected" by the tariff, and yet the imports of glassware in 1882 through our custom-houses, and actually paying the duties, were more than ten times greater than the exports of glassware, because the artificial prices here invite foreigners to come with glass in their hands. We imported that year $7,443,211 of glassware. Just so of other wares. The *increase* of the importations in 1882 over 1881 was, in silk goods, twenty-five *per centum;* in cotton goods, twenty-five; in woolen goods thirty-four, and even in iron and steel goods, seven *per centum.* This increase in the imports of foreign manufactures, owing to the high prices caused by the tariff, has been going on for years. Comparing 1877 with 1882, the increase in silk goods was from $21,830,000 to $41,400,000; in cotton goods, from $18,923,000 to $40,000,000; in woolen goods, from $25,000,000 to $42,000,000; and in iron and steel goods, from $9,570,000 to $50,000,000.

4. In October, 1871, occurred the great fire in Chicago. In the winter following a bit of legislation took place in Congress in consequence, which unmistakably shows the sense of that body to be that tariff-taxes raise the price of home products. A bill received the signature of President Grant, April 5, 1872, which had passed both Houses by large majorities, *to exempt for one year all building material, except lumber, from the operation of tariff taxes for the benefit of Chicago alone.* Why did Congress hasten to take off the taxes for the benefit of Chicago unless the taxes raised the price of building material? Here is a public confession of the most striking kind that the tariff is used to raise prices for United States citizens to pay. And why was *lumber* excepted from the operations of that bill of remissions? Because Michigan and Wisconsin lumber lords, who had got the tariff-tax on foreign lumber put on on purpose to raise the price of domestic lumber, went to Washington in haste to get lumber *excepted* from the materials to be cheapened for the relief of burnt Chicago. No proposition in the world can be more certain than this, that protective tariff-taxes are put on and kept on for the sole sake of raising the prices of certain wares, and the taxes do in fact what they are meant for.

The question every workingman is asking is, whether free trade will lower wages or not. That is the practical question in this tariff issue.

Every laboring man who has considered the subject, knows this, that a protective tariff raises the prices of nearly every thing he has to buy and makes living more costly. No intelligent protectionist denies this. But protectionists tell the laboring men that the increased cost of living is more than made up by the higher wages protection gives.

Free-traders deny absolutely that protection raises wages. They go further. Free-traders assert positively that protection, in the end, lowers wages.

Fortunately there is no need of *arguing* the matter. We

can give the facts. From 1850 to 1860 was a period of low tariff—a tariff for revenue only. During that period the tariff averaged only about seventeen per cent. From 1860 to 1880 was a period of high tariff, the highest tariff ever known—a tariff for protection. Now, if what protectionists tell the laboring men is true, then wages ought to have gone down between 1850 and 1860, and they ought to have gone up between 1860 and 1880. If what protectionists say is true the manufactures of the country ought to have declined between 1850 and 1860, and increased wonderfully between 1860 and 1880. What are the exact facts? From the census reports of the United States for 1850, 1860, 1870, and 1880 we find that: Between 1850 and 1860 the wealth and wages of the country increased in a greater ratio than between 1860 and 1880. Here are the percentages of increase as compiled by Mr. Philpott of Iowa, from the census reports. It shows the exact percentage of increase between 1850–60 in the first column, and the percentage of increase for each of the ten years between 1860–80:

Lines or Progress.	1850-1860.	Average each Ten Years—1860-80.
Population,	35.5	26.2
Wealth,	126.6	61.0
Foreign commerce, aggregate,	131.0	45.6
Foreign commerce, per capita,	70.3	15.2
Railroads, aggregate,	240.0	69.0
Railroads, per capita,	150.0	34.0
Capital in manufactures,	90.0	66.0
Wages in manufactures, aggregate,	60.3	58.2
Wages in manufactures, per hand,	17.3	9.4
Products,	85.0	69.6
Value of farms,	103.0	23.6
Farm tools and machinery,	62.0	27.7
Live stock on farms,	100.0	17.3

Every laboring man can here see for himself whether protection increases wages or not. Between 1850–60 the wages per hand increased seventeen and three-tenths per cent., while between 1860–80 they increased only nine and one-fourth per cent. Under a low tariff they increased nearly twice the ratio as under a high tariff, and between 1870–80 wages per capita actually *decreased*. Under a low tariff manufacturers increased ninety per cent., while under a high protective tariff they increased only sixty-six per cent. Free-traders maintain that protection falls most heavily on the farmer. Look at the above table. Under a low tariff the value of farms increased one hundred and three per cent., while under a high protective tariff it increased only twenty-three and six-tenths per cent. Under a "*tariff for revenue only*" the live stock on farms increased one hundred per cent.—*exactly doubled*—while under a high protective tariff it only increased seventeen and three tenths per cent., or about *one-sixth*.

Protectionists call free-traders "theorists," "dreamers." Well, the above figures and facts taken from the census reports are not "theories" or "dreams." They are solid, undeniable facts. And every protectionist who tries to persuade a laboring man that protection raises wages, should first explain the above *facts*.

HOW PROTECTION LOWERS WAGES.

When a workingman hears a man talk about free trade, he always asks the question, "Won't free trade lower wages?" That is a practical question. Every intelligent free-trader will answer at once, "Free trade will not lower wages. On the contrary protection lowers wages." Now it is easy enough to make this answer, but it is sometimes hard to prove it. Sometimes a workingman wants to see the "figures." He wants to have it shown to him in black and white. Fortunately the figures can be given. The

statistics which show that protection does not raise wages, are within the reach of every man. Every workingman can satisfy himself that any *slight advance* he may receive in his nominal wages, is more than eaten up by the increased cost of living.

If there is one State in the Union that should be benefited by protection, that State is Massachusetts. It is full of protection and always has been. If protection raises wages anywhere it ought to in Massachusetts; but does it? Hon. Carroll D. Wright, labor commissioner of Massachusetts, a Republican, a State official and a protectionist, gives the condition of the laboring men in 1881 as compared with 1860. He gives the wages in 1860 and in 1881, and also gives the cost of living in 1860 and 1881. This is the conclusion he comes to in his own words:

"*Covering the whole period of twenty-one years, there was an average increase in wages of* 31.2 *per cent., and in prices* 41.3 *per cent. That is, between* 1860 *and* 1881, *the workingman has suffered a reduction of ten per cent. in the purchasing power of his wages, and this between a dead level year and one of general prosperity.*"

Workingmen can see from the above how protection raises wages. It does *appear* to raise wages. The workingman gets more *money* for his work, but it is exactly as free traders say, it costs him so much more to live that the additional money received is more than eaten up. Wages go up a little, but cost of living goes up more.

*WHAT ONE DOLLAR COULD BUY IN

	1860.	1872.	1878.	1881.
Flour, superfine,..... pounds,	25.64	18.18	22.72	19.76
Codfish,..... "	18.87	12.20	16.67	13.33
Beans, ... "	12.66	10.52	12.05	7.54
Coffee,..... "	4.36	2.35	3.77	3.47
Sugar,..... "	9.70	8.33	10.00	9.09
Soap,..... "	11.49	12.50	12 34	14.81
Beef, roasting,..... "	9.18	5.26	6.94	5.88
" soup,..... "	20.83	13.33	18.86	18.18
" corned,..... "	15.38	9.52	12.34	9.75
Veal, hindquarters,..... "	9.18	5.85	6.53	6.34
Mutton, forequarters,..... "	13.51	9.80	9.70	8.82
Hams,..... "	7.75	7.41	8.07	6.55
Potatoes,..... bushels,	1.67	0.97	1.03	0.79
Milk,..... quarts,.	21.27	12.50	18.86	16.66
Coal..... pounds,	312.00	217.00	310.00	255.00
Shirting, 4-4,..... yards,..	10.87	7.69	13.33	11.42
Sheeting,..... "	9.34	7.14	11.11	9.30
Rent, four room tenement,. days,...	6.75	2.03	5.40	3.75
Board, men,..... " ...	2.51	1.24	1.67	1.47
" women,..... " ...	3.92	1.87	2.63	2.33

*This Table was inserted by the compiler and taken from J. Schoenhof's work entitled *The Destructive Influence of the Tariff*. Published by G. P. Putnam's Sons, N. Y.

CHAPTER XL.

COMPARING AMERICAN WAGES WITH ENGLISH WAGES, AND SHOWING HOW SMALL THE DIFFERENCE IN THE PAY, AND HOW SMALL A TARIFF WOULD BE NEEDED TO PROTECT AMERICAN LABOR, IF RAW MATERIALS WERE FREE.*

THE superiority of our means of production being acknowledged, but little remains to be said to demonstrate that our industries need no protection to enable them to compete successfully with Europe, provided they share the advantages that Europe, — *i. e.*, England, Germany, etc., — possesses; namely, free raw materials. Our exports in cotton goods are sufficient evidence of this. The same may be said of articles where the skill of the workman, the inventive genius of the American, comes into action. In fact, wherever the value of the work bears a very high relation to the value of the raw material, there we can freely compete with foreign nations. It is so in the case of machinery, tools, implements of all sorts made of iron and steel. Though they are made of materials taxed more heavily than the finished goods, yet the superiority of American workmanship is able to overcome these burdens. Wherever labor largely preponderates in the combined value of labor and materials, there we excel. Of course, in heavy goods, requiring little skill and labor, whose value

* J. Schoenhof in *The Destructive Influence of the Tariff upon Manufacture and Commerce.* G. P. Putnam's Sons, New York.

lies chiefly in the material, competition is altogether out of the question. This alone ought to prove conclusively that though we pay in most fields better wages than even the English — and they pay the highest wages in Europe, — we still make goods that can fully compete with theirs.

We may consider, therefore, a protective tariff, such as we enjoy, as an absolute superfluity that does not benefit the workingman (on the contrary, does him harm in lessening the value of his wages), cripples the manufacturer in narrowing his field of operation, and most completely annihilates our foreign commerce. And manufacturers cannot prosper without the aid of commerce.

Some people, however, after all that has been said of the relative cheapness of our work, may still be in doubt as far as our competitive capacity in regard to England in concerned; — the country which in Europe pays the highest wages and makes the cheapest goods. To dispel such doubts I will compare the rates paid here with those paid in Europe in the principal industries:

1. Cotton Goods — Mr. Carroll D. Wright states the average weekly wages in Lancashire and Manchester:

	Lancashire.	Massachusetts.	Difference.
Of weavers,.....	$5.28	$5.64	$0.36
Of mule spinners,.....	7.80	10.09	2.29
	$13.08	$15.73	$2.65

Considering this to be a fair average of differences paid to the various employees of the cotton mills in the respective countries, then we pay our operatives just twenty per cent. more than the English pay. And the English pay about fifty per cent. more than the Germans pay their operatives,

and yet we are exporters of cotton goods to both Germany * and England. The figures of Mr. Wright find contradiction from various quarters. Mr. J. Chase, member of Congress from Rhode Island, himself a cotton manufacturer, places the difference as high as sixty-two per cent.

According to the last census, however, the average wages for all cotton mill-hands are $246 for the year, or $4.73 a week, † which would imply earnings below those given by Mr. Wright. It is doubted whether our cotton-goods operatives can earn more than the English. Granting, however, for argument's sake, that they earn twenty-five per cent. more, then this surplus of earnings is more than balanced by longer working hours — sixty hours constituting a week in Massachusetts (other States, having no legal limitation, work longer hours yet), against fifty-four to fifty-six hours in England, and by higher speed and greater perfection of our productive methods. But let us waive all the advantages derived from these points and take twenty per cent. as representing the proportion of wages to the product of the cotton mills, then a tariff of five per cent. on cotton piece-goods would cover the whole difference in the earnings of our operatives. The old tariff taxed cotton goods thirty-five per cent. where *ad valorem* rates were imposed. The new tariff raised this to forty per cent.‡ Specific rates were reduced somewhat, but not sufficiently to compensate for the great decline in the price of cotton that has taken place since 1865. Unbleached, from five cents to four cents per square yard! Bleached, from five and one-half to five

* This we are able to do, notwithstanding Germany's tariff of forty marks or ten dollars on the hundred-weight of cotton goods. One hundred pounds German weight equals one hundred and ten pounds American.

† Where the annual average of earnings in any specified industry is given, it must be borne in mind, that this includes high and low wages, salaries of clerks, etc., which reduces the individual earnings of the largest proportion of workers to a sum materially below the average.

‡ This includes cotton velvets, embroideries, laces, etc., which are all raised from thirty-five to forty per cent.

cents! on goods counting over two hundred threads to the square inch. These comprise all fine goods such as nainsooks, mulls, lawns, etc., which are largely used by American manufacturers of lace goods and trimmings, who in most instances have to pay more for duties on their materials than on the finished goods of their respective branches.

2. Iron and Steel — (*a*) Pig-iron. Mr. Joseph D. Weeks of Pittsburgh, one of our best experts, gives the price paid for labor in Pittsburgh to make a ton of pig-iron:

Labor on mining ore for one ton of pig-iron, @ $1.40, =	$2.38
Labor on mining coal and making coke necessary for ton of pig-iron, ...	1.25
Labor on limestone, ...	.30
Labor at furnace, ...	1.25
	$5.18

In Cleveland, England, $3.17 is paid, against $5.18 in Pittsburgh. This leaves $2.01 more pay for all the workingmen that are employed in raising the ore, the coal, and the limestone, and making the iron. To offset this, in addition to the transportation expenses, commission charges, etc., of from $5 to $6 on a ton of pig-iron, the tariff gives $6.72, which is a total of $12 to $13 protection. The ruling price in England of pig-iron was last year, 1882, 48*s.* to 50*s.*, or say, in round figures, $12; the price of American pig No. 1 about $25. Now the price for Cleveland (English) pig is 40*s.* to 43*s.* For American pig in Pittsburgh $18 to $20 for No. 2, and $21 to $22 for No. 1. (*b*) Steel rails and other steel, bars, rods, etc.: Product, 983,039 tons, at an outlay for wages of $4,930,009, or $5.01½ for each ton produced. This is what the American workingman gets. Protection on rails now $17, against the former, $28. According to Leone Levi, the English statistician, and Mr. Edward Young, the former Chief of our Bureau of Statistics, the average wages in English steel

works were about 32*s.* or about $8 a week for skilled labor, or $1.35 a day, and 21*s.* a week for unskilled labor, or 87 cents a day. This gives the American steel-worker seventy-three per cent. more than his English brother gets. This, however, is offset, as shown before, by our better and quicker methods of manufacture. But granting, for argument's sake, even fifty per cent. more as cost of labor in this country, then this would add to the cost of a ton of American steel the magnificent sum of $1.67 for wages as against $28 or $17, respectively, of protection for the mill-owners. Protection that is granted by freight and other charges on the imported stuff ought not to be lost sight of in this instance either.

"3. Leather—upper leather and calfskin manufacture—Tanners' wages—Eastern and Western cities of the United States, $10 to $11 per week. Curriers' wages—Eastern and Western cities of the United States, $14 to $15 per week. In country towns of the United States, $2 to $3 a week less. Morocco leather—Tanners' wages—New York, $12 a week; Philadelphia, $12 a week; Wilmington, Del., $10 a week; Lynn, Mass., $10 a week.

"Morocco finishing by machinery—Wages of finishers—New York, $13 to $14 per week; Philadelphia, $13 to $14 per week; Lynn, Mass., $11 to $12 per week.

"Sole-leather tanners—In the country towns of the United States, $1.25 per day; in Philadelphia, Baltimore, Louisville, Cincinnati, and Chicago, $9 to $10.50 per week, ten hours a day; in London, England, $8.50 to $9.50 per week, nine hours a day's work; in the country towns of England and in Scotland, $6 a week, nine hours a day's work; in Germany, 80 cents to $1 a day, ten hours a day's work; in French provinces, $5 to $5.50 a week; in Paris (France), $1 a day.

"Sole-leather curriers—In country towns of the United States, $1.50 to $1.60 a day, ten hours a day; in London,

England, $10 to $13 a week, nine hours a day; in the country towns of England and in Scotland, $7 to $7.50 a week; in Leeds, England, East India tanned skins, $6.50 to $7.50 a week; in Germany, $1 to $1.15 a day, ten hours a day; in the provinces of France, $5 to $6 a week; in Paris, $9 a week."

The above is an abstract of a report made by the *Shoe and Leather Reporter* to Mr. Nimmo. The correctness of the list is confirmed by twelve business firms in the line. It will be seen that the wages, considerably higher than in Germany and France, are not much above the average wages paid in England: for tanning say twelve and a half per cent.; while curriers get about thirty per cent. more. As the American, however, has ten working hours against the Englishman's nine hours, the surplus added to the cost of production on account of higher wages is reduced in tanning to a minimum—less than five per cent.; in currying to about fifteen per cent.

As wages determine only a correspondingly small part of the value of the whole product, it is evident that this industry can afford to do without the paternal care of the Government. We are heavy exporters of leather. Hides are not protected. The lord of the prairie, the aristocratic ox, under a democratic form of government does not enjoy the protection that is extended to his plebeian cousin, the sheep.

4. Silk goods—The difference in wages varies largely between the different European countries—England, Germany, France, and Switzerland. A statement of wages and earnings would give a very inadequate idea. The various modes of operation have to be taken into consideration. The greater efficiency of the workers, and the application of most improved machinery, to a large extent obliterate the influence of higher earnings on cost of product. Americans earn from sixty-five to seventy-five per cent. more than the English; perhaps one hundred per cent. more than Ger-

man operatives. The acknowledged superiority of our working methods reduces the difference materially; fifty per cent., as an addition of cost, would be a very high estimate. Many of our silks are produced in New Jersey, whose product in 1830 was $13,850,000 (cost); of this there was paid in wages $4,177,000, or thirty per cent.; fifty per cent. of thirty per cent. is equal to fifteen per cent All the protection needed to protect the workingman is fifteen per cent. A tariff of fifty per cent. is certainly excessive, in view of the enjoyment of free raw silk. A tariff of thirty per cent., with free materials, would give ample protection to the silk manufacturer. It is doubtful whether the present rate of protection amounts to much more than that, considering the latitude, under-valuation, and smuggling enjoyed under the former tariff. The reduction to fifty per cent. still gives ample opportunities for these practices.

5. Woolens—From the report of the United States Consul at Leeds the following may be taken as ruling prices in 1878, the week having fifty-four working-hours against not less than sixty hours in America:

Wool-sorters per week, ...	$6.24 to $6.72
Scourers and dyers per week, . . .	4.80 to 5.75
Spinners per week, ...	7.70 to 9.69
Weavers, men, per week, . . .	6.00 to 8.40
Weavers, women, per week, . . .	3.60 to 4.80
Pressers per week, ...	5.75 to 6.72
Laborers per week, ...	4.32 to 5.25

Considering the difference in time, I doubt whether our woolen mills pay much more in wages for a given piece of work than the English. $4.50 to $6.00 for women and $6.00 to $9.00 for men are fair average wages of operatives in American woolen mills. Still we have a specific and an *ad valorem* duty to pay on woolens, averaging fully sixty per cent. even after the reduction.

Now, I ask any candid manufacturer whether his "in-

fant " industry would not be fully protected with a tariff of twenty-five per cent., plain and simple, if he had wool and other raw materials free of duty? With free raw materials he could build up an export trade and thereby give more steady employment to his help.

6. Coal, anthracite—In 1880 we mined 27,433,000 tons, and paid in wages $21,680,000, or seventy-nine cents a ton.

Coal, bituminous—Product, 40,311,000 tons; wages, $30,707,000, or seventy-six cents on the average a ton, Pennsylvania producing 18,000,000 tons, at a cost of only sixty-four cents a ton for wages.

I leave the intelligent reader to determine for himself whether a protective tariff of seventy-five cents is required to secure to the working-man sixty-four cents in wages.

We have turned a page in our history. We have become a great manufacturing nation. The narrow confines in which the tariff encircles us must give way before the all-over-powering energy of a young nation. A thorough revision of the tariff upon the basis of free raw materials has become an urgent necessity for the preservation of our vast manufacturing industries.

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